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Sudan crisis: country 'buried under refugees,' Page 16

World news

Mubarak peace plan welcomed by Reagan

The Reagan Administration welcomed Egyptian President Mubarak's latest Middle East peace initiative as "highly constructive" but made clear it was still not ready to lead fresh negotiations.

U.S. officials also said that Mubarak, who met President Reagan at the White House, was most unlikely to secure the full amounts of increased economic and military aid he was seeking from Washington.

The U.S. still wanted to know more about the purpose of the proposed dialogue between Washington and a Jordanian/Palestinian delegation that Mubarak has called for, officials said. **Page 4**

U.S. ignores threat of Shia reprisals

The U.S. ignored threats of Shia reprisals against its citizens in Lebanon and vetoed a resolution in the UN Security Council which would have condemned Israel's "iron fist" policy in southern Lebanon.

Meanwhile, Lebanese guerrillas killed two Israeli soldiers and wounded seven in south Lebanon but two suicide bombing attempts failed to kill any Israeli troops, Israeli military sources said. **Earlier report, Page 3.**

Delors warning

European Commission President Jacques Delors warned of the growing danger of a split between the EEC's north and south over the cost of Spanish and Portuguese membership and the price to pay for economic development in backward Mediterranean regions. **Page 2.**

Athens candidate

Greek Communists are to give vital parliamentary backing to Supreme Court judge Christos Sartzetakis, proposed by the ruling Socialists to succeed Constantine Karamanlis as President. **EEC and Nato commitment, Page 2**

Iran offensive

Iran launched a new offensive in the Gulf war's southern sector and claimed to have destroyed an Iraqi mechanised battalion and more than 15 tanks. Iraqi aircraft attacked Tehran, killing at least five people. **Page 3.**

Soviet build-up

Fresh Soviet troops landed by helicopter in Afghanistan's strategic Panjsher Valley, north of Kabul, for e possible spring offensive against guerrillas, Western diplomats said in Islamabad.

Bomb defused

A bomb was found outside a U.S. Army officers' club near Stuttgart and defused before it could explode, West German police said.

Gunmen surrender

Three gunmen who said they were Armenian revolutionaries surrendered to police in Ottawa after a four-hour siege of the Turkish Embassy in which a security guard was killed and 11 people taken hostage.

Pertini alert

Italian President Sandro Pertini switched aircraft after the Boeing 747 which was to have flown him home from Buenos Aires was tampered with.

Wage freeze

Special police squads took over Bolivia's central bank to prevent staff paying out wages to strikiog workers and enforce a government order to banks to close until further notice, as a general strike entered its fifth day.

U.S. spy robots

The U.S. is using new unmanned spy aircraft to check left-wing rebel activity and arms movements in Central America. Honduran military officers said the devices were flying daily missions over El Salvador from Hooduras.

Business summary

Hongkong Shanghai profits up only 4%

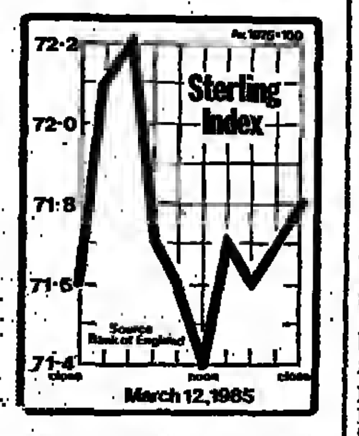
HONGKONG and Shanghai Banking Corporation's annual profits improved by 4 per cent to HK$2.29bn (U.S.$293m) – more than HK$50m below the most conservative market forecasts. **Page 22**

WALL STREET: At the close the Dow Jones industrial average was up 3.2 at 1,271.75. **Page III**

LONDON gilts lost impetus after M3 data. The FT Ordinary index was 1.2 higher at 990.4. **Section III**

TOKYO stock market closed higher. The Nikkei-Dow market average gained 33.02 to 12,296.87. **Section III**

DOLLAR was on the whole firmer in London, rising to DM 3.345 (DM 3.3385), FFr 10.225 (FFr 10.205) and Y260.2 (Y259.15). It was weaker, however, at SwFr 2.8345 (SwFr 2.847). On Bank of England figures, its index eased to 153.7 from 153.8. It closed in New York at DM 3.35375; SwFr 2.8415; FFr 10.2425 and Y260.675. **Page 41**



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STERLING closed unchanged against the dollar in London at $1.089. It rose to DM 3.645 (DM 3.6375) and Y283.25 (Y282.25) but was lower at SwFr 3.095 (SwFr 3.1035) and FFr 11.13 (FFr 11.1475). The pound's exchange rate index rose 0.2 to 71.8. It closed in New York at $1.0865. **Page 41**

GOLD fell $2.75 an ounce on the London bullion market to finish at $288. Gold also fell in Zurich to $288.45 from $291.00. In New York, the Comex April settlement was $292.30. **Page 40**

SYRIA said two new oilfields with deposits of light crude had been discovered in the north-east of the country.

WEST GERMANY recorded a trade deficit of DM 2.2bn ($660m) with the Third World last year despite posting a record overall trade surplus, the Bonn Government said.

CALIFORNIA court ordered Mr William Millard, owner of ComputerLand, the world's biggest computer retailer, to surrender more than a third of the company's shares to settle a nine-year-old debt. **Page 19**

GENERAL Oriental, Hong Kong arm of Sir James Goldsmith's business empire, has taken an 8.6 per cent stake in Crown Zellerbach, a U.S. forest products group. **Page 19**

NUOVO Banco Ambrosiano produced a L1.1bn ($527,000) profit for the first half and following recent share deals, is now predominantly owned by Italy's private banks. **Page 19**

SWEDEN'S leading pulp supplier, Södra Skogsagarna, increased its profits by more than 250 per cent to SKr 1.068bn ($112m), after restructuring and a boom year for the forest products industry. **Page 20**

HONGKONG Electric blamed a change of accounting policy at its troubled 34.6 per cent-owned property associate for a 12 per cent decline in net profits to HK$822m (U.S.$105m). **Page 22**

BOND Corporation of Australia said the National Companies and Securities Commissioo had abused its powers in criticising the group's interim profit statement. **Page 22**

UNICORP Canada, property and financial services group, moved closer to winning its contested bid to take over Union Enterprises, a gas utility. **Page 19**

Reagan suggests early U.S.-Soviet summit possible

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

PRESIDENT Ronald Reagan yesterday held out the prospect of an early U.S.-Soviet summit, saying that he is ready to meet Mr Mikhail Gorbachev, the new Soviet leader, "whenever he can."

The White House moved quickly to capitalise on the twin opportunities presented by the power change in Moscow and the opening of the Geneva arms talks, which it said reflected improved "atmospherics" between the superpowers.

U.S. officials said that Mr Reagan had broached the idea of an early summit in e personal message that Vice-President George Bush is to deliver to Mr Gorbachev today in Moscow, where he is leading the U.S. delegation at President Chernenko's funeral.

While cautioning against "summit fever," White House officials welcomed the positive tone of Mr Gorbachev's acceptance speech on Monday and said that an early meeting "may be in our mutual interest."

Mr Larry Speakes, the White House spokesman, said that Mr Reagan was ready for a summit "if it would be beneficial for world peace" – a more flexible formula than the preconditions thet have been advanced by Washington in the past.

Mr Speakes said that this did not represent a departure from Mr Reagan's previous insistence that a summit must be well prepared and constructive, but acknowledged thet he was putting the message "in different words."

Mr Robert McFarlane, Mr Reagan's National Security Adviser, said that yesterday's opening of the arms talks showed that there was serious Soviet interest in a dialogue that could lead to e summit, which had been missing in the past. "I think there is an agenda that we could move out on quickly," he said.

Nuclear arms talks between the U.S. and the Soviet Union started in Geneva yesterday after a break of 15 months despite the death of Mr Chernenko. The biggest obstacle to emerge so far is Soviet insistence that the U.S. should abandon its research into space-based defensive weapons. Page 18

Patrick Cockburn in Moscow writes: Mr Mikhail Gorbachev, the newly-elected General Secretary of the Soviet Communist Party, is expected to have informal talks with many of the foreign leaders attending the funeral of the late President Konstantin Chernenko in Moscow today.

Although Mr Gorbachev's succession had been widely expected, world capitals were yesterday still keenly assessing his impact oo Soviet policies at home and abroad. Those leaders likely to be able to form their own impressions today of the new 54 year-old Soviet leader include epart from Mr George Bush, President François Mitterrand of France and Mrs Margaret Thatcher, the British Prime Minister who is expected to renew an acquaintance made during Mr Gorbachev's visit to the UK last December.

Today's obsequies will also provide an opportunity to gauge the temperature of Sino-Soviet relations. Chinese Vice-Premier Li Peng will represent Peking and emphasise China's desire for an improvement in bilateral relations – a priority identified by Mr Gorbachev in a speech on Monday.

In its public comments yesterday the Chinese Government focused on the nuclear arms reduction talks which began in Geneva yesterday and the need for a halt in the arms race.

Mr Chernenko's burial will take place at 1.40pm. At the same moment salvoes of artillery are to be fired in Moscow and all the main Soviet cities, work is to stop all over the country for five minutes and all factories and ships are to sound their hooters.

President Chernenko lay in state yesterday as a long procession of mourners filed past his bier in the Hall of Columns

Chernenko shadow begins to fade, Page 2

Many U.S. banks 'fail to report cash transfers'

By Paul Taylor in Washington

CONGRESSMEN investigating "money laundering" by organised crime in the U.S. were told yesterday by Mr William Brown, chairman of the Bank of Boston, that "hundreds of banks" have probably failed to report cash transactions with overseas banks since reportiog regulations were tightened in 1980.

Mr Brown's comments came amid growing concern in the U.S. about the Mafia's use of unwitting financial institutions to launder the profits of illegal drug dealing – and mounting evidence that the problem may be widespread.

Yesterday, following revelations by three major Massachusetts banking groups that they had overlooked changes in bank reporting requirements covering large interoational cash transactions, it was reported that et least 40 large banks have asked the American Bankers' Association, their trade group, to help them negotiate an "immunity pact" with the U.S. Treasury.

Uoder such an agreement, the banks would confess to previous violations in return for a promise of immunity from prosecution. It appears, however, that the Treasury has turned down such a deal.

The three Massachusetts banks that have admitted oversights are the Bank of Boston, Shawmut Bank of Boston and the Bank of New England.

Mr Brown told the Senate subcommittee on investigations, which began its hearings yesterday, that be believes hundreds of banks may have failed to produce the information required under 1980 regulations covering casb transactions of more than $10,000 with foreign banks.

Mr Brown repeated his assertioo that the Bank of Boston, whose revelations last month that it failed to report $1.22bn in such transactions triggered the latest outcry, were the result of an oversight.

The bank chairman also repeated his claim that there was no connection between domestic cash transactions at one of the bank's branches involving two companies controlled by alleged Mafia leaders and the international cash transfers.

He described the branch manager's decision to leave the two companies oo an "exempt" list free from reporting requirements as "an exercise of bad judgment."

Mr Brown told the committee that the banking group has changed its internal procedures to make sure that all cash transactions are properly reported and that all changes in bank reporting rules are quickly implemented.

Sinclair seeks £50m to build advanced semiconductors

BY JASON CRISP IN LONDON

SIR CLIVE SINCLAIR, the British high-technology entrepreneur, has launched a campaign to raise £50m ($54.3m) to build a highly advanced semiconductor plant in England.

The new company will be headed by Mr Robb Wilmot, who is chairman of ICL, the mainframe computer company, and a director of its parent, Standard Telephones and Cables. Before joining ICL, as part of a government rescue in 1981, Mr Wilmot was head of the UK subsidiary of Texas Instruments, the U.S. semiconductor group.

Mr Wilmot, who will keep his present job at ICL, will be responsible for attracting venture capital for the new Sinclair project, recruiting the senior management and planning the manufacturing plant.

Sir Clive said he expected to raise the finance in a matter of months and expected the plant would be built and in production before the end of next year.

N. M. Rothschild, the merchant bank, is drawing up plans for raising the finance and for the structure of the new company, which will have close links with Sinclair Research, the home computer group.

The plant is being set up to implement research work which has been done at Sinclair Research's laboratory in Cambridge and will make wafer-scale integratioo semiconductors. These are whole wafers of silicon – normally divided into hundreds of microchips – which contain a substantial amount of memory and computer logic.

Sir Clive said he had already recruited key people, including Mr Peter Ward from Plessey Semiconductors and Mr Malcolm Wilkinson from Burroughs in the U.S.

The decision was announced at a shareholders' meeting in Londoo yesterday when Sinclair Research disclosed disappointing earnings figures. After exceptional provisions of £7.5m, the company made a pre-tax profit of £7.9m oo sales of £89.5m in the nine months to December 1984.

Turnover for the full year is expected to be close to £100m, but profits are expected to be slightly lower than the nine-month figure. This stems from losses in January, when the company had virtually no orders from retailers because of worries about the UK home computer market.

The provisions include a £3m writedown of stocks, which currently stand at £34m, or about four months of averaged sales. Other provisions include bad debts as a result of the collapse of Prism, its distributor, and for product returns.

Despite Sir Clive's confidence, the company will not face an easy task in raising the finance. Inmos, the British semiconductor group set up with Government backing and which is in a much more conventional part of the microelectronics industry, failed to raise private finance because of the risk involved. When Thorn EMI bought the government stake in Inmos, its shares fell sharply.

Trilogy, the only other company to try to produce wafer-scale integration semiconductors, gave up last year after spending over $200m on research.

Sir Clive acknowledged that the new company would need further

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U.S.–India computer deal, Page 5; The super chip, Page 6; Men and Matters, Page 16; Lex, Page 18

EEC farm ministers battle over cash cuts

By Andrew Gowers in Brussels

THE EUROPEAN Community's bard fought agreemeot on budgetary discipline last night appeared to be clearing its first important hurdle, as Farm Ministers neared agreement oo a significantly reduced programme of structural subsidies for farmers.

The ministers battled all day to cut their spending coat according to a reduced piece of cloth provided hy EEC finance ministers oo Monday.

But despite sharp disagreements between northern and southern countries over special aids for Mediterranean farmers, the overall shape of the package appeared by mid-evening to be falling into place.

The Ecu 5.25bn ($9.5bn) package which has been under discussioo for more than a year aims to help farmers cut costs and maintain incomes. Structural spending is being seen as increasingly important, as constraints on the EEC budget squeeze the Community's ability to offer unlimited price support.

Yesterday was the first time that the Community's agricultural council was faced with a spending limit imposed by finance ministers and was seen as a crucial first test of last year's agreement on budgetary discipline.

Finance ministers decided on Monday that the five-year programme of structural subsidies should be limited to Ecu 5.25bn, a 10 per cent cut in the spending proposed by the European Commission.

This was in line with an agreement that they should be consulted on spending programmes likely to commit significant Community funds over several years.

As they met throughout the day, their agricultural colleagues found it extremely difficult to pinpoint what the proposed framework was supposed to include. The thorny is-

Continued on Page 18

Delors urges enlargement action, Page 2; moves on EEC standards, Page 5

Renault to get extra FFr 3bn aid from Paris

BY PAUL BETTS IN PARIS

THE FRENCH Government will inject FFr 3bo ($294.1m) in capital funds into Renault this year to support the financially troubled car group's financial and industrial recovery.

Renault was originally expected to receive about FFr 2bn in capital grants this year from the state, its sole shareholder. In addition the group – expected to report losses of between FFr 9bn and FFr 11bo in 1984 – is due to receive about FFr 2bn in soft loans from the Government's industrial modernisation fund. Renault received FFr 1.9bn in grants last year.

The decision to increase financial support for Renault was taken during the final inter-ministerial negotiations to allocate the FFr 13.5bn in funds available in the 1985 French budget to nationalised industries.

The steel industry will again absorb the lion's share of the capital grants, receiving FFr 5.75bn. This will not be enough to cover the losses of the two nationalised steel groups amounting to FFr 8.5bn. The steel companies are expected to receive additional soft loans to cover their deficits.

The steel sector had been hoping for an even larger share of capital funds from the state this year, but Mme Edith Cresson, the Industry Minister, has argued strongly in favour of allocating a large portion of funds to what she regards as more productive investments, like the automobile industry and the nationalised electronics sector.

The electronics industry will receive FFr 2.75bn in capital funds this year including FFr 1.3bn for the Thomson group, FFr 1bn for the Bull computer group and FFr 450m for the CGCT telecommunications company.

The electronics industry had to lobby forcefully for the funds because there was a temptation in the Government to reduce capital grants to this sector in view of its improved financial performance.

The rest of the 1985 grants will be largely absorbed by the chemicals sector with CDF Chimie receiving FFr 700m and EMC (Entreprise Minière et Chimique) receiving FFr 150m. Pechiney, the nationalised aluminium group which returned to profit last year, is receiving no capital grants this year.

The additional aid to Renault, which will also benefit from FFr 1.1bn in extra capital grants allocated last year but carried over into this year, clearly reflects the Government's preoccupation with the car group's future.

M Georges Besse, the new chairman of Renault, is expected to unveil a three-year recovery plan for Renault in May. M Besse, the former head of Pechiney who took over from M Bernard Hanon in January, is taking his time to analyse in full the car group's entire financial and industrial situation before taking any major action.

Since M Besse has taken over, however, Renault has announced it is not going ahead with a major car design and engine project in the Soviet Union.

$ rebounds in volatile trading

BY PHILIP STEPHENS IN LONDON

THE DOLLAR rebounded in volatile trading yesterday on Europe's foreign exchanges, recouping much of its sharp fall on Monday.

Foreign exchange dealers said thet the dollar initially dipped further against most other currencies, but then attracted strong commercial demand and quickly rebounded from its lows.

It fell below DM 3.28 in early trading, against a London close of DM 3.3385 on Monday. Buying re-emerged at this level, however, and the dollar gyrated throughout the day in a 10-pfennig trading range, with dealers reporting sharp and apparently inexplicable shifts in sentiment from hour to hour.

Conflicting interpretations of the outlook for U.S. economic growth and interest rates, chart points, and reports of possible central bank intervention were all blamed for the swings, leaving many traders confused as to the short-term outlook for the dollar.

EEC central bank governors have approved measures designed to encourage use of the European Currency Unit as an official reserve asset. Countries outside the Community will be able to hold official Ecus in their reserves. Page 18

The dollar closed in London at DM 3.3450, up less than a pfennig from Monday, but its trade-weighted index feased by 0.1 points to 153.7. Sterling closed in London unchanged against the dollar at $1.089, and small gains against other European currencies lifted the sterling index 0.2 points to 71.8.

In New York, the dollar continued its recovery closing at DM 3.35375, FFr 10.2425 (against FFr 10.225 in Europe) and SwFr 2.8415 (SwFr 2.8345). Sterling also ended marginally weaker from its London close at $1.0865.

Mr Claude Cicchetti, chief foreign exchange dealer at the Bank of Bostoo in Frankfurt, said: "A lot of people were looking for a great downward technical reaction for the dollar." But the market is wary of any too precipitous drop, he said, adding: "The market is very erratic and highly volatile ... To say it is nervous is an understatement."

Money markets, Page 41

CONTENTS

Delors urges richer EEC states to fund enlargement

BY QUENTIN PEEL IN STRASBOURG

M JACQUES DELORS, the president of the European Commission, yesterday called on the wealthier states of northern Europe, sucb as Britain, tho Netherlands and West Germany, to match their political enthusiasm for enlargement of the Community with the casb to finance it.

He also pressed for their agreement on the package of Mediterranean programmes drawn up by the Commisslon, which Greece has demanded as a pre-condition for giving its approval to the terms of Spanisb and Portuguese accession.

In a wide-ranging speech to the European Parllament on the Commission's programme for 1985, M Delors singled out the onlargement negotiations and the Mediterranean package, both due to be finalised at a marathon meetlng of foreign ministers next week, as key tests of the credibility of the EEC.

However, be stopped short of putting a price on the final budget costs of onlargement and support for the Mediterranean regions. This was estimated by MEPs at Ecu 4bn-Ecu 5bn (£2.4bn-£3bn) a yoar, or 20-25 per cent of the cnrrent agricultural bndget of the Community.

Mr James Elles, the Conservative MEP for Thames Valley, said it was essential to be clear about the future cost of enlargement. Once Spaln and Portugal were fully intograted, be said, it could cost an extra Ecu 1bn to finance tho production of olive oil elone, and Ecu 1bn to Ecu 1.5bn for other farm producas, liko wine.

He estimated the extra cost of the Mediterranean programme at between Ecu 500m and Ecu 700m a yoar, and compensation to Mediterrean countries outside tho EEC—like Israel, and the North African states of the Maghreb—at a further Ecu 1.5bn.

M Robert Chambelron, e French Communist member, openly accused "countries like West Germany and Britain, which will benefit most from the opening up of new markets" of being "the last to open their purses."

M Delors himself would not identify the targets of his criticism, but he declared that "member states must recognise they must put their purse wbere their mouth is." He said the danger of a North-South split was both political and financial.

"The areas in the south of Europe feel neglected," he said. "The north abouid nse its advantages of resources and climate to contribute to their development."

Reforring to his plan for the "integrated Mediterranean programme, which wouid include some Ecu 2bn in grants, and Ecu 2.5bn in loans, bo said: "If these programmes are not accepted on the lines we have suggested, I don't think Europe is going to go far. There is going to be a very deep split."

For the rest of his programme, M Delors promised on agenda for removing all remaining barriers to a genuine common market by 1992. He said be would call on tho EEC summit in Milen in June to give its political blessing to the programme.

He also promised further specific proposals to promote researcb and technology, in time for the summit meeting in Brussels at the ond of this month.

It was of paramount importance that the enlargement negotiations should be completed before this month'a summit, to enable tho EEC heads of government to take longer-range decisions on the future developments of the Community.

Bonn seeks way to end Bundespost monopoly

By Peter Bruce in Bonn

AFTER EIGHT months of inter-ministerial infighting, the West German cabinet ie today expected to appoint a high powered commission to investigate ways and means of dismantling the Bundespost'e domestic communications monopoly.

It seems likely, too, that the terms of reference prepared for the 10-man commission will represent an important victory for the Post and Telecommunications Minister, Dr Christian Schwarz-Schilling, who has recently come under strong pressure to speed up promised deregulation of the Bundespost'e DM 50bn (£14bn) a year business.

The commission, members recruited from universities, business and politics, will be told to report in two years. Last June, announcing that it intended appointing a commission, the Government said it would report by the end of this year.

Dr Schwarz-Schilling is understood to have strongly opposed this deadline, much to the irritation of the Research and Technology Ministry, which has argued that the Bundespost's legendary conservatism, and its close ties with a select band of West German equipment suppliers, is inhibiting tho growth of an internationally competitive information technology industry in the country.

In addition to the time delay, which means the Government will probably not even have to deal with the commission's recommendations before the next federal elections, the Post Minister has also been able to limit tho scope of the commission's investigations.

The commission's brief will not allow it to challenge current laws which, firstly, enshrine the indopendent existence of the Post Ministry and, secondly, place ownership of the Bundespost with the Government.

One of Dr Schwarz-Schilling's fears is that Dr Heinz Riesenhuber, tho Technology Minister, entertained the idea that his ministry and the Post Ministry combino, with him at the head.

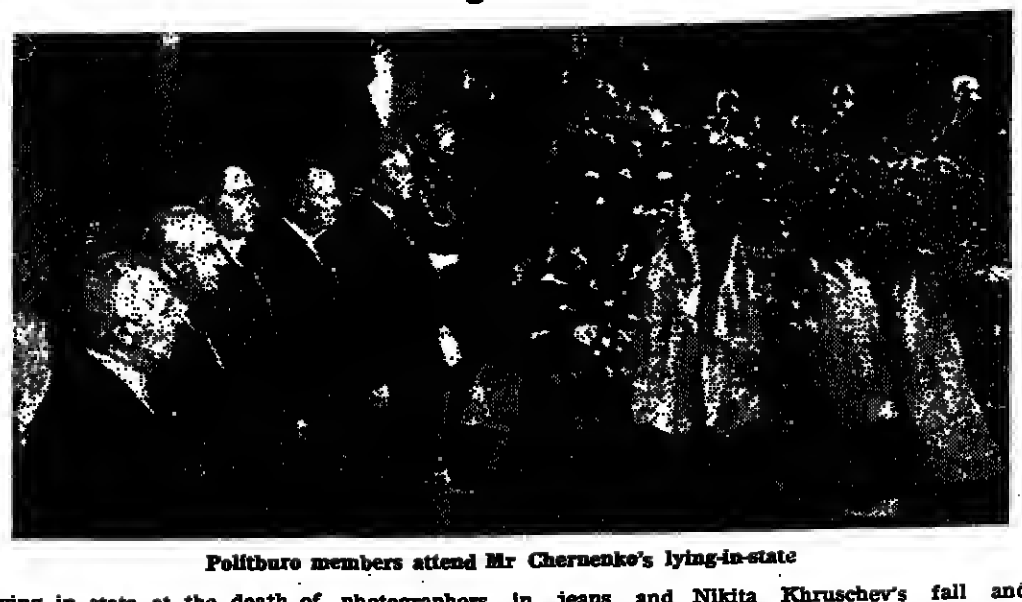
In his efforts to slow the pace of change, the Post Minister has been supported by Dr Gerhard Stoltenberg, the Finance Minister, who is believed to worry that the Bundespost might cease to be a net budget contributor if its lucrativo telecommunications operations were privatised, leaving behind only the loss-making postal services.

The spending power of the Bundespost — outlays of DM 16.7bn for this year confirm it as the country's biggest investor—is seductive, critics say. They also contend that e major olement in current spending, "the "cabling of tho country, is politically inspired and an attempt to encourage the growth of a privately-owned television industry to balance the existing and broadly unsympathetic Laender-owned networks.

The comission, whose staff will be housed in the Post Ministry, are to be given DM 2.7m to spend on their researches. These will almost certainly involve studying, at first hand, the privatisation of British Telecom

President's death makes little impact on general public, writes **Patrick Cockburn**

Chernenko's shadowy image begins to fade



Politburo members attend Mr Chernenko's lying-in-state

"WE'RE HOPING," said a woman buying clothes in a large department store 200 yards from where Presidont Konstantin Cbornenko was lying in state yesterday wben asked what sbe thought ebout the change in Soviet leadership.

But, overall, the President's death on Sunday did not seem to bave had much impact on the shoppers. "Thev are all the same," said a young woman in e fur hat and winter coat. "It doesn't make any difference wbether it's Brezhnev, Chernenko or Gorbacbev."

A little closer to the Kremlin, outside tho green and white Hall of Columns, a long queue of peoplo was waitng to file past tho bier. There was very limited security but the police occasionally stopped the traffic in central Moscow to let past convoys of buses filled with representatives from fectories and offices deputed to attend the lying in state.

The relaxed attitude of the police is in keeping with the low-key tone of Mr Mikhail Gorbachev's first 24 hours as General Secretary of the Soviet Communist Party. Mr Chernenko is getting the normal funeral bonoors but no more. His picture, surrounded by a black border, appeared on Page 2 of Pravda, the Communist Party daily newspaper, while the only photograpb on Page 1 was of Mr Gorbacbev.

Inside the Hall of Columns—the Club of the Nobility before the Revolution, whose ballroom was first used for an official lying in stato at the death of Lenin in 1924—a long procession of mourners filed past the bier.

To the left of this ever-moving queue an orchestra played solemn music, while to the right of tho bier were rows of chairs for Mr Chernenko's family. Anna Dmitrievna Chernenko, his widow, and his deughter were sitting in the first row of seats yesterday. The atmosphere was solemn but relaxed.

As generals and senior party officials took turns to visit the Hall a group of French press pbotographers in jeans and check shirt hopped about taking photographs. Officials did not seem concerned.

Though the official obituaries are as fullsome as is to be expected, Mr Chernenko had littlo opportunity to make much impact on the Soviot people. He was in office for only 13 months, for part of which be was seriously ill and did not appear in pnblic.

Mr Chernenko also bad the disadvantage of seeming to be the physical embodiment of the old guard who rose to senior positions at the time of Mr Nikita Khruschev's fall and have stayed tbere. In 1982, the year President Leonid Brezhnev died, the average age of the 114 Soviet ministers was 72.

Yet Mr Chernenko's apparent personification of the Brezhnev establishment is somewhat exaggerated. Many of the reforms in the economy now attributed to President Yuri Andropov in fact started in the last years of Mr Brezhnev. Thoy continued under Mr Chernenko thougb it always aeemed that their redicalism wonld be muted so long as be remained party secretary.

The vigorous application of tbo present economic experiment, the effort to reduce the power of the ministries by decentralising management at the bottom and centralising planning decisions at the top, all require substantial changes in personnel of both party and state if they are to be successful.

It will also become clear over the next year how far Mr Gorbachev can exercise his authority within the 10-man politburo most of whom were appointed under President Brezhnev. They include such stalwarts as Viktor Grishin, the Communist Party boss for Moscow, wbo bas been a member since 1971, and Mr Nikolai Tikhonov, tho Prime Minister, wbo is 79.

In retrospect Mr Chernenko's 13 months in power may seem en interregnum but his funeral todey will be impressive enough. The commission in charge of the obsequies, beaded by Mr Gorbachev, announced yesterday that at 1.40 pm, "at the moment his body is lowered into the grace," artillery salvoes "shall be fired in Moscow" and other major cities.

"At tho same moment," the commission has ordered "all the ontorprises and organisations throughout the territory of the Soviet Union, with the exception of enterprises with a continnous production cycle, shall stop work for five minutes; o three-minute salute shall be sounded by hooters in factories, plants, railways and sea and river ships."

Honecker and Kohl due to meet in Moscow

By Leslie Colitt in East Berlin

THE LEADERS of East and West Germany, Herr Erich Honecker and Herr Helmut Kobl, were due to meet last night in Moscow, wbere tbey are attending tho funeral of President Konstantin Cbernenko. West German officials said talks between the two leeders were made possible after Herr Honecker praised the Chancellor's recent relteration that Bonn intended to live up to its treaty with the Warsaw Pact

The distinct warming of relations between Bonn and East Berlin was evident et a meeting yesterday between Herr Martin Bangemann, the West German Economics Minister, and new head of the liberal Free Democrat Party (FDP), and President Honecker.

Herr Bangemann said afterwards that their views about the new Soviet leader, Mr Mikhail Gorbachev, were "identical."

He and Herr Honecker discussed possible joint steps by Bonn and East Berlin to "positively accompany" the Geneve disarmament talks between the United States and the Soviet Union.

Hungary sees advantage in Gorbachev rule

BY DAVID BUCHAN IN BUDAPEST

THE ACCESSION to power of Mr Mikhail Gorbachev is considered in Eastern Europe—even by e country like Hungary which feels lt bas perhaps most to gain—as unlikely to spell early or radical changes in Soviet policy.

Hungarians, from senior party officials down, make no secret of their belief that baving an economic reformer as General Secretary of tho Soviet Communist Party will, in the long run, help Hungary, the Soviet ally that bas been most adventurous in pursuing economic reform.

Yesterday's official Bodapest Press poimtedly stressed Mr Gorbachev's interest in economic reform and tho apparent enthusiasm he bed shown in Hungarian agriculture when he visited the country in 1983. Nepszabadzag, the party newspaper, last December approvingly quoted Mr Gorbachev as "chastising with hard words" orthodox political and economic dogmatists.

Hungarian officials believe that only by the next Soviet party congress, expected next December, will it be possiblo to see what sort of mark Mr Gorbachev is making.

One official ridiculed a comment this week that Mr Gorbachev would implement Hungarian-style reforms. Conditions in the vast bureaucreatic Soviet state did not lend themselves to recipes possible in a country like Hungary with less than 10m peoplo, ho said.

The old men in Mr Gorbachev's politburo would stay on, Budapest officials believe, and point out that Mr Gorbachev has started to warn the Soviet peoplo not to expect speedy improvements in their standard of living without major changes in the economy.

However, as one official remarked, it was nice to have "e young and healthy man" at the Soviet helm

'New tendencies' in Japan draw criticism

BY JUREK MARTIN IN TOKYO

JAPAN DOES not expect significant early policy shifts under Mikhail Gorbachev's régime, but Mr Yasuhiro Nakasone, the Prime Minister, left for Moscow last night to attend Mr Konstantin Chenenko's funeral on the look-out for any straws in the wind.

A frank assessment of the state of Soviet-Japanese relations was provided here yesterday, unusually from the Soviet side. Colonel Yuri Danilov, military and air attache at the embassy, described them bluntly as "far from good," a verdict which the Japanese Government would undoubtedly share.

Col Danilov said the Soviet Union still wanted "good neighbourly relations" and a peace treaty with Japan, whose longstanding precondition for any such improvement has been a return of the four Soviet-occupied Kuriles islands. The attache left no doubt that this was not about to happen: the islands were "Soviet territory," he said.

Beyond that, he found "new tendencies" in Japanese policies that were not to the Soviet Union's liking. He cited Japanese government statements that it considers itself a "member of the West," which, to Soviet eyes, meant Nato.

He was also suspicious of what be described as the emergence of a new "political-military organisation" in tho Pacific, under U.S. direction. The Soviet view of Japan would depend on how active a role Japan plays in this new framework, he said.

At non-strategic, non-political levels, there havo been more exchanges between the two countries recently than for some time. Later this year, Mr Poter Demichev, the Soviet Cultural Affairs Minister, is expected to come to Japan to attend the Tsukuba international science exposition.

Many extra jobs forecast in mechanical engineering

BY JONATHAN CARR IN FRANKFURT

WEST GERMANY'S mechanical engineering industry expects to creete np to 30,000 more jobs this year, thanks both to booming exports and steadily increasing demand at home.

The industry's essociation, the VDMA, said 1985 production would rise by about 5 per cent in real terms, and that longer-term growth prospects looked good too.

Dr Otto Schiele, VDMA president, stressed that in aJnuary orders were up by no less than 24 per cent in real terms against the same mooth last year. While foreign orders remained very strong (up by 26 per cent), domestic demand was picking up also (orders up by 19 per cent) as manufacturing industry boosted its investment.

As a result, Dr Schiele said, the sector couid now start expanding the labour force felrly strongly after years of setback or stagnation.

Figures now reloased by the VDMA show that last year tho sector—West Germany's biggest industrial omployer—was able to boost lts labour force very slightly to just over 1m.

Last year's improvement came thanks above all to buoyant exports, which rose by nearly 9 per cent overall to DM 80bn (£2bn), and by 31 per cent to the United States alone. As a result the U.S. for the first time became the mechanical engineering industry's single biggest trade partner, taking DM 8.2bn worth of West German goods, just ahead of France which imported DM 8.1bn worth.

VDMA officials warned against enphoria, noting that the extra price cocmpetitiveness wrought by the strong dollar would not be permanent. Moreover, the U.S. had still been able to increase its own exports to West Germany by 18 per cent.

However, Dr Schiele argued thot opart from the dollar pbenomenon, two important factors were now coming otgether which would benefit the engineering sector for years to come. One was the "second Indusrial revolution"—the epplication of electronics to products and production methods, where Dr Schiole said, the West Germans were well up with the world leeders.

Secondly, West German industry had invested relatively little in plant and machinery in the recession years. This investment "backlog" was now starting to be made good, and coincided with the new impulse from electronics.

Britain warns of chemical re-armament danger

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

UNLESS THERE is rapid progress towards e complete ban on cbemical weapons, cbemical re-armament will be e real danger, Mr Richard Luce, the British Minister in charge of disarmament, warned yesterday.

Mr Luce, speaking at tho 40-nation Committee on Disarmament in Geneva, called on governments to make an urgent and concerted effort to concludo a chemical weepons ban. He tabled a paper designed to facilitate key aspects of the verification of a treaty which would ban not only the use but also the prodnction and stockpiling of chemical weapons.

Britain has taken a leading role in urging a complete ban, producing three detailed papers in as many years. But success seems as fer away as ever. Last April, amid groat fanfare, Mr George Bush, the U.S. vice-president, presented a draft treaty to which tho Soviet Union bas yet to react in detail.

The U.S. draft involves tough verification procedures, including tho rigbt to "challenge inspections" of suspect chemical plants. Proposals of this sort have so far been anathema to Moscow.

The British proposals (numbered document 575 of tho CD) occept thet challenge inspections should be included in a treaty but should be used only as a last resort.

Tho paper makes specific proposals for a system of routine inspections of industrial plants as well as an exchango of data on and transfer of e wide range of substances which could be used as chemical weapons agents.

The proposals heve been discussed with chemical industry executives in Britain, Mr Luce said, in an effort to ensure thet adequate verificatiou is possible without compromising commercially confidential information or bampering industrial activity.

Pressure is building up in several Nato countries for re-armament with chemical weapons to match what is cleimed as a large Soviet build up. Tho U.S. desire to re-start production, stopped since 1969, bas been put to Congress again this year.

Congress has refused to enthorise such production in the last few yoars, but Gen Bernard Rogers, tho U.S. supreme commander in Europe, is among those who believe that Nato should have a modern retaliatory capacity.

TWO KEY ANNIVERSARIES FOR THE JOINT EUROPEAN CURRENCY FLOAT

Dollar's surge boosts EMS stability as Ecu plays bigger role

BY PHILIP STEPHENS IN LONDON

THE European Monetary System celebrates two anniversaries this month. The first – today – marks six years since the joint currency float was established but is less significant than the second, on March 20.

That will usher in two years of stability within the system, during which the uncertainties and often acrimonious devaluations and revalnations of the early years have faded into history.

The first four years of the EMS were marred by seven currency realignments. The last parity change, in March 1983, pushed relations between France and West Germany almost to breaking-point as the French franc and other weaker currencies were devalued against the D-Mark.

Since then, the EMS has proved an island of relative calm et o time when the dollar'a surge has given foreign exchange markets an inherent volatility which has bemused even the most ardent supporters of unfettered markets.

The eight currencies within the system's exchange rate mechanism have all suffered against the dollar. But they bave fallen by more or less the same amount, minimising the disruption of trade and capital flows between member countries.

That, in turn, has allowed the embryonic currency of the EMS – the European Currency Unit – to flourish on the world's capital markets.

Many central bankers believe that, unless the dollar's recent setback proves a decisive turning point in the U.S. currency's fortunes, it could well be another six months or a year before there is any need for o realignment in the EMS.

Both the D-Mark and the French franc are now close to their central points within the system, while traditionally weak currencies, such as the Italian lira and the Danish kroner, are near the top of their permitted ranges.

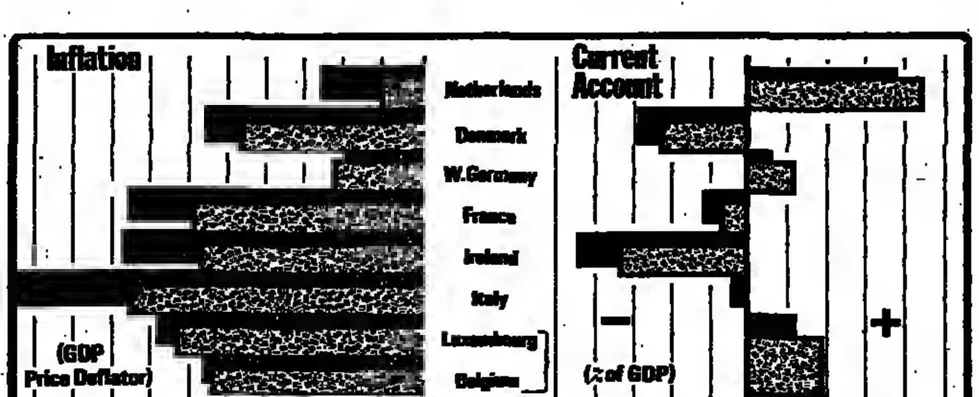
"There is no realignment on the horizon unless the dollar collapses. At the moment it is in everyone's interest to leave things es they are," one central banker commented yesterday.

If the EMS has shielded its eight members from the worst effects of the dollar's rise, the strength of the U.S. currency has also been e source of stability.

The about-turn in French economic policy which followed the last realignment and the significant narrowing of the inflation and current account gaps between member states have also been a central part of the story.

But by reducing the attractiveness of D-Mark-denominated assets the rise of the dollar has given France, Italy, Belgium and other countries with weaker currencies a breathing space in which to adjust their economies.

That convergence of policies, although far from complete, has now, in the words of the European Commission, "gained substance and credibility."



For 1985, the Commission forecasts that the gap in inflation rates between Italy, the country with the highest, and West Germany, with the lowest, will be about 5 percentage points. In 1983 it was more than double that.

There has also been o marked improvement in the current account performance of the weaker economies. On the Commission's forecast, France, for example, will cot its current account deficit to 0.7 per ceot of its gross domestic product in 1985, less then half the level of two years ago.

Central bankers acknowledge, however, that e significant fall in the dollar's value and a resulting rush of funds into the D-Mark could quickly bring pressure for a revaluetion of the West German and Dutch currencies and parallel downward moves from the French franc, Italian lira and some smaller currencies.

Since the last realignment, West Germany's relative competitiveness – calculated by the Commission on the basis of unit labour costs – has improved by around 5 per cent. France's position has deteriorated slightly while Italy's has been unchanged.

This erosion of competitiveness has already brought calls from leading businessmen in Italy for a devaluation of the lira to boost exports, althougb the idea has been firmly quasbed by the central bank.

"For France and Italy, the first priority is still to get their inflation rates down. For the moment they seem willing to live with the loss of competitiveness," is the judgment of one senior European Community official in Brussels.

There is also a widespread perception among governments, shared by foreign exchange markets, thet the next realignment is likely to be a fairly modest affair, with the change between the D-Mark and French franc limited to perhaps 5 per cent.

The French central bank has used the opportunity provided by the dollar's strength to replenish its foreign exchange reserves, leaving itself well armed to resist any speculative attack on the franc.

There are also hopes thet if the dollar does fall, the shift into D-Marks likely to result will not be as pronounced as usual since the European Currency Unit (Ecu), which offers the combination of o reletively high interest rate and e low exchange rate risk, could provide an alternative for investors moving out of dollars.

New bond issues denominated in Ecus were worth well over $3bn in 1984, while Ecu deposits are estimated at more than four times that amount and bank lending in Ecus is put at over $25bn.

Negotiations between commercial banks and the Bank for International Settlements in Basle to establish an Ecu clearing system are said to be progressing smoothly, if slowly.

But if the governments which set up the EMS are congratulating themselves on their success, the advances of the past two years have faced them with awkward choices over whether to develop it further.

Its original aspiration – to act as a springboard for eventual monetary union – was readily endorsed in the early years in the knowledge thet there was no prospect of any real progress.

Central banks have made some progress towards agreement on promoting the use of the Ecu as an official reserve asset, but West Germany in particular is finding thet it has to acknowledge its unwillingness to cede any control over its domestic monetary policy while Britain's Treasury is finding that the credibility of its public stance that it will join "when the time is ripe" is now wearing thin.

Greece 'still committed to EEC and Nato'

BY ADRIANA IERODIACONOU IN ATHENS

THE GREEK Socialist Government yesterday reaffirmed its commitment to remain within the European Community and the North Atlantic Treaty Organisation (Nato) despite fears of a swing to the left arising from the resignation last weekend of conservative President Constantine Karamanlis.

"There is no change in our position," Mr Dimitris Maroudas, under-secretary of press and information, said. Dr Andreas Papandreou's Pasok Party came to power in 1981 pledging to hold a referendum on whether to stay in the EEC or not; to withdraw from Nato; and to close down the four U.S. military bases in Greece. But it has taken no steps so far in any of those directions.

"As regards the EEC, we are fighting the battle from the inside, for the integrated Mediterranean programmes," Mr Maroudas said. He defended Greece's refusal to participate in Nato exercises in the region during the past three years because of its territorial disputes with Ankara, saying that to have done otherwise would be to "hand the Aegean to Turkey."

The statements by Mr Maroudas constituted an indirect response to Mr Caspar Weinberger, U.S. Secretary of Defence, who was reported to have said in Washington that he hoped Mr Karamanlis' departure would not herald o deterioration in Greek-American or Greek-Nato relations.

India buys French videotex

BY DAVID MARSH IN PARIS

FRANCE has agreed to supply India with its Antiope videotex system in a deal which Paris hopes will mark an important breakthrough in expanding the service on foreign markets.

The order is worth several million francs initially, with participation by companies in the nationalised CGE and Thomson electronics groups as well as the specialised company Unitel, which makes components such as keyboards.

France's principal competition was with Britain's Ceefax system.

The deal will involve supply of central transmitting equipment and decoders to allow television sets to receive electronic data. Later, India plans to build a factory to produce key equipment, particularly decoders, under o technology transfer agreement.

The Indian service is planned to allow TV sets to relay information such as up-to-the minute news.

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OVERSEAS NEWS

Israeli troops die in Lebanon gun battle

BY DAVID LENNON IN TEL AVIV

TWO ISRAELI soldiers were killed and two wounded in a gun battle with guerrillas in southern Lebanon yesterday. The clash follows big Israeli punitive raids against the south Lebanon village of Zrariyeh on Monday, in which more than 30 Shi'ite villagers were killed by the Israelis.

The cycle of attacks and retaliations in Lebanon is clearly escalating as the Shi'ites step up their activities in response to the "iron fist" policy which Israel instituted three weeks ago to try to halt guerillla attacks.

Yesterday's attack on the Israeli forces took place near the Kasmiyeh Bridge on the Litani River which Israel closed to vehicular traffic on Monday after Sunday's car bamb attack which killed 12 Israelis.

There are indications in Israel that the withdrawal of troops may be speeded np, despite the declarations to the contrary by senior politicians.

It is expected that work on a new defence line along the international border may be speeded up, to enable the bulk of the troops to be pulled back behind the Israeli border earlier than the original target date of late August-early September.

ISRAELIS LEAVE 40 DEAD

Villagers fear a further assault

BY RICHARD JOHNS IN ZRARIYEH

THE HILL-TOP village of Zrariyeh is bracing itself for another Israeli attack following this week's assault and occupation which left at least 40 dead and led to the abdnction of almost the entire male population aged 15 to 60.

Officers of the invading force, which included 60 tanks, threatened that Israeli troops would return to raze all homes, 450 or so in total, if any TV crews or Press photographers were permitted to enter the village and record the devastation wrought in an apparent reprisal for the car suicide car bomb which killed 12 Israeli soldiers near the border at the weekend.

According to the villagers, who admit that Zrariyei had become a major resistance centre and the base for np to 60 fighters, the Israelis also warned that a similar fate would befall other villages if they acted as centres for attacks across the new Israeli defence line.

The sunned, grief-stricken village was aloud with the walling of women and sobbing of children yesterday as families began to bury their dead. During the morning there was a constant flow of ambulances carying bodies to and from the hospital at Sarfand to the north-west.

Villagers said that the number of men taken by the Israelis ligence centre near Nabatiyah was at least 200—in contrast to the figure of 100 given by the Israelis—and one Lebanese army soldier, one of the force of only 17, estimated that the number could be as high as 250.

The dead included no less than 17 fighters of the Shi'ite Amal militia but the total could be greater because there are believed to be bodies lying in the valley of the River Litani below. No search has ben mounted there because the area s exposed to Israel suprs and feared also to be booby-trapped, according to Mr Hamoud Mrowa, a member of one of Zrariyeh's leading families.

He said that he was only one of eight young men in the village on Sunday night who had managed to escape. Among those transported away by the Israelis was one Lebanese visiting his family on vacation frcn West Africa.

Mr Mrowa had personally seen 20 dead bodies including seven "killed with guns in their hands" apart from the Lebanese army's one fatal casualty.

One of his comrades said that the soldier had been killed as he surrendered with his hands up.

The major in charge of the Lebanese unit had been pnblicly bumiliated in the villaga's main square where tha whole population was rounded up. Israeli troops made him take off his boots and socks before removing his sinsignia, according to Mr Mrowa.

He said that Israeli troops had also stripped naked one wounded resistance fighter, tied his feet together with a rope and dragged him round the square, he added.

The Israelis were assisted in their initial identification and interrogation in the village by a hodded collaborator.

All the vehicles in the village had been crushed by tanks or armoured personnel carriers or burnt out by phosphorous bombs. Among them could be seen a Volvo squashed with three occupants inside.

Several dozen buildings including the village police station were blown up or burnt. One woman claimed that her home had been set ablaze for no other reason than the fact that Israeli troops had found there her son's Lebanese army uniform.

Another woman in a state of hysteria screamed at reporters: "The Israelis talks of civilisation. Go and tell the world what they have done here." Clearly intensified hatred and defiance will be a far longer lasting legacy than the extent of the damage done, impressive thongh that was.

Iranians launch ground offensive

By Roger Matthews,

IRAN launched a new offensive in the southern sector of the Gulf War front yesterday and claimed that it had destroyed an Iraqi mechanised battalion and more than 15 tanks.

Iraq confirmed that the attacke had started but later said it had been repulsed with heavy Iranian casualties. It also claimed to have taken a large number of prisoners.

Iraqi officials in Basra, the country's second largest city, described the attack as a major offensive and both sides said last night that the fighting was continuing.

The offensive is believed to be aimed towards the small Iraqi town of al-Thagher about 10 miles inside the border. It sits astride the Baghdad-Basra road, north of al-Qurnah.

The marshy nature of the terrain dictates the use of amphibious equipment which Iran is known to have heeo seeking on world markets in the past 18 months.

The offensive is certain to jeopardise UNs' efforts to win agreement from both countries to halt their attacks on each other's cities.

Shortly before the Monday midnight deadline for the agreement, three Iraqi jets raided Tehran and five other Iranian towns were hit.

Apart from the attack on a residential suburb of Tehran, Iraqi missiles and aircraft also struck at the towns of Dezful, Zenjan, Arak, Bushehr and Masjed Suleiman. Iran said it had retaliated by firing a missile at the northern Iraqi town of Kirkuk.

At least 10 people were reported to have been killed in the air raid on Hehran during which a three-storey apartment block was badly damaged. Residents said they heard several explosions and sustained anti-aircraft fire followed by a 15-minute power hlackout. Monday night's attack is thought to have been in response to the Iranian raid on Baghdad, the Iraqi capital, earlier in the day.

Iran says that over 600 of its civilian population have died in more than a week of intensified attacks. However, news agency reports said that Basra had enjoyed a night free from shelling for the first time in several days. Over 100 people are said to have been killed in Basra in bombardments.

The intensification of Iraqi attacks on civilian attacks is believed to have reflected the Government's concern that another land offensive was being planned hy Iran.

Lloyd's of London, meanwhile, reported that Monday's attack on the Liberian tanker Atlanticos brought to 127 the number of vessels which had been attacked or damaged in the Gulf since May 1981. There had been 15 attacks so far this year.

Seoul payments deficit up

By Steven B. Butler in Seoul

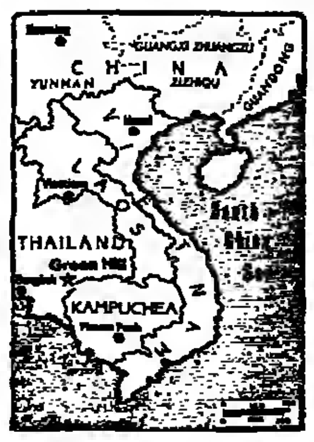
SOUTH KOREA's balance of payments has worsened sharply in the first two months of the year. Preliminary government statistics show a 15 per cent decline in exports in January and February compared to the sama period of 1984, while imports dropped 3.1 per cent.

The February figures, which show a trade deficit of $329m compared to $212m (£195m) in February 1984, add to evidence that South Korea will have great trouble holding its 1985 current account deficit under $700m, as the Government has planned. In January alone the current account deficit reached $492m.

Peking's reaction is awaited, reports Alan Cass, Asia Editor

Vietnam grips Kampuchea tighter

THE capture of Green Hill, last of the major Kampuchean guerrilla bases, by Vietnamese troops marks the end of an important phase in the struggle for control of Kampuchea.



The camp, which sits on a spectacular escarpment just ioside Thailand, was the headquarters of Prince Norodom Sihanouk, leader of one of the three Kampuchean resistance groups.

It fell after a week-long hattle in which more than 1,000 Vietnamese troops, backed by heavy artillery fire, fought a three-cornered hattle with Prince Sihanouk's forces and Thai soldiers

The capture of Green Hill, also known as Tatum, was the climax of the higegst dry-season offensive mounted hy Vietnam since its forces overrao Kampuchea more than six years ago, driving out the Khmer Rouge and installing the regime of Heng Samrin backed by 110,000 troops.

Last month 20,000 Viatnamese troops, supported for the first time by tanks and helicopters, captured the mountain redoubt of the Khmer Ronge at Phnom Malai having earlier driveo the non-communist Khmer People's National Liberation Front (KPNLF) from nearly all its border bases.

The Vietnamese success poses a major prohlem not just for the Kampuchean resistance coalition but also for its suoporters: the West, the Association of South-East Asian Nations (Asean) and, above all, for China, whose credibility as Vietnam's historic rival in the area is now at stake.

This year's major dry season offensive follows an apparent change of policy by Vietnam'a leadership. Until now it had adopted a carrot and stick approach, carrying out limited military offensives against the Kampuchean resistance each year followed by intense bouts of diplomacy in an effort to win more friends at the United Nations.

The problem with this strategy was that it never weakened the resistance sufficiently to make Hanoi's claim that there was no alternative to Heng Samrin credible. Pressed by the Soviet Union to resolve this costly war, and faced with increasing ecooomic hardship and low army morale, Vietnam's politburo apparently gave in to pressure from its generals to mount a once-and-for-all offensive against the resistance

Unlike previous offensives, Hanoi's troops do not appear to be withdrawing from the territory they have captured this time, posing a oew problem for the anti-Vietnamesa forces. Tba Vietnamese troops are reported to be digging in, building roads an mining the perimeters.

The fact that no member of the coalition of resistance groups any longer has a substan groups any longer has a substantial presence insida Kampuchea is bound to damage its international credibility as a viabla alternative to the regime in Phnom Penh.

The West, Asean and China now face the question of how to respond to a Vietnamese offensive which clearly caught everyone flat-footed. Monday's arrival in Bangkok of Li Xiannian, the Chinese President, increased speculation that Peking feels under increasing pressure to retaliate against Vietnam.

China has warned repeatedly that it would "teach Hanoi a secood lesson," a reference to 1979 when Peking attacked Vietoam in response to Hanoi's invasion of Kampuchea.

Over the past year China has been steadily increasing the pressure on its aouthern border with Vietnam, according to intelligence reports. A substantial number of additional troops have heen moved up to the border in Yunnan province, while Chinese combat aircraft at Kunming, the provincial capital, and in neighbouring uanxi province, have been placed on a high state of alert.

Chinese troops have recently made a number of cross-border raids into northern Vletnam, capturing, and in some cases, bolding on to Vietnamese positions.

Whila Peking'a leadership is almost bonour-bound to do something, it is unlikely to risk a major military adventure such as the one carried out in 1979, when at least 40,000 Chinese died. The risks, diplomats believe, are too great. However, a limited military response is possible.

In the first place, the quality and strength of Vietnamese defences along the Chinese border is much bigher today. The mountainous terrain, sliced by narrow valleys and gorges, would exact appalling casualties on an invading force.

Secondly, China is in the middle of a major attempt to reform and streamline its economy as well as an effort to project a moderate international image. Both these objectives would be jeopardised by a "second lesson."

Finally, an attack on Vietnam might provoke a response from the Soviet Union, with which Peking has heen having low-key talks to improve relations.

Asean, which bas been giving the Kampuchean resistance political and military support, faces an equally acute dilemma. The six-nation grouping of Thailand, Singapore, Indonesia, Brunei, Malaysia and the Philippines will want to keep the coalition together, restore its morale and help it back on its feet militarily.

It will particularly wish to see the revival of the non-Communist element of the coalition, since a Kampuchean resistance composed entirely of the Khmer Rouge would find little favour at the UN.

On the other band, it will want to remain open to any diplomatic olive branches which Hanoi, flushed with military success, may wish to wava in the near future. Indonesia, in particular, which sees China as the greater threat, will wisb to grasp these.

There are already signs that Vietnam is keen to break out of its self-imposed isolation, and there bas been private talk of improving relations with the U.S. What seems clear is that Vietnam is determined to negotiata from a position of strength. Whether it feels it has reached that position remains to be seen.

THAILAND RUSHED more troops to its northern border with Kampuchea yesterday as Vietnamese forces tigbtened their grip on the captured Green Hill guerrilla base one mile inside Thai territory, agencies report from Bangkok.

Chinese President Li Xiannian pledged continued support for the Kampuchean coalition despite its military setbacks while Vietnam admitted its trops could have intruded into Thailand "by mistake" according to Mr Bill Hayden, tha Australian Foreign Minister.

Wellington moves to ease liquidity

By Dai Hayward in Wellington

RESPONDING to urgent pleas from financiers and hankers tha New Zealand Government-owned Reserve Bank yesterday moved to bead off a rapidly developing crisis caused by tight liquidity and soaring interest rates.

In three major moves tha bank: Injected NZ$ 200m into the monetary system hy buying up transferable certificates of deposits (NZ$154m more injected into the short-term money market on Monday; cancelled the long-term government stock tender scheduled for this month: set interest rate of 19.5 per cent on "compensatory deposits" which the Reserve Bank conditiooally lends to trading banks whose funds ara seriously depleted hy the end of March tax drain.

Some banks had feared interest rates on these compensatory deposits could be 30 per cent or higher.

The moves hrought quick results. Interest rates on overnight money dropped from 300 per cent on Monday to 100 per cent yesterday.

● New Zealand is no longer considering forming a submarine force and will concentrate on surface combat ships, Defence Minister Frank O'Flynn said yesterday.

● The Australian pop star and anti-nuclear campaigner Peter Garrett wbo narrowly missed election to Australia's Federal Parliament on an anti-nuclear campaign, is leading a joint Australian-New Zealand protest fleet to the landing site of the U.S. MX missile test in the Tasman Sea.

● The Right-wing Government in Queensland yesterday issued a stern warningto anti-nuclear demonstrators who have vowed to stop a visit to Brisbane by two American warships, Reuter reports.

Import surcharges: an easy solution that may be dangerously unpredictable

BY STEWART FLEMING, U.S. ECONOMICS CORRESPONDENT

"ADOPTING THE (import) surcharge proposal would seem to me to have some of the characteristics of diving off a cliff into an inviting shimmering lake on a hot summer day without really knowing whether a big rock lies beneath the surface."

This is the view of Mr Paul Volcker, the Federal Reserve Board chairman of a plan which is being widely canvassed in Congress. It would raise tens of billions of dollars a year to reduce America's trade and budget deficits through imposing what amounts to a tax on foreigners — a customs surcharge on imports.

An indication of the breadth of concern about the U.S. trade deficit, which is predicted officially to hit $160bn this year, is that the company taking the lead in advocating the import surcharge is not a "rust belt" steel concern but Motorola, one of the leaders of the high tech economy, a multinational manufacturer of some of the hottest lines of computer chips.

Critics of Motorola's suggestion that the U.S. raise some $80bn a year through a "temporary" three-year customs surcharge on imports fear that such a move could plunge the world into an international trade crisis. Such a crisis was allegedly triggered by the infamous Smoot-Hawley tariff of 1930, which sharply raised U.S. import duties, when America's trading partners retaliated against it.

The debate about an import surcharge—for starters, it is suggested, a special surcharge should be imposed against Japanese imports—reflects in part the growing awareness of the potentially long-term effects on the U.S. economy being wrought by the strong dollar and the twin budget and trade deficits.

According to a recent study by Mr Stephen Roach of New York investment bankers Morgan Stanley, the capital goods sector of the U.S. economy, which moved into trade deficit last year, "accounts for more than one third of the cumulative erosion of the U.S. merchandise trade position" since the fourth quarter of 1982.

Mr Roach estimates that over this period the import share of the U.S. domestic market for high technology products, which include computer and communications equipment, has risen from 27 per cent to 43 per cent.

In the capital goods sector, he says, producers of technology equipment have been hit hardest by a loss of market share to foreign competition. In major electronics markets, for example, the U.S. is now running trade deficits in such key sectors as office machines, communications equipment and electronic components, and even the computer sector is now in danger of slumping into deficit.

The Commerce Department is conducting a study to see what proportion of the imports are coming from U.S. affiliates abroad. But the fact remains that not only are jobs in the U.S. manufacturing sector being lost to foreign producers, but some historical experience suggests that when the next recession comes, foreign suppliers will cut prices and profits to retain market share and domestic companies will be squeezed again.

There are fears too that by allowing foreign companies increasingly to gain a bigger share of the domestic high tech market the U.S. is on a path which could lead to a long-term decline in its competitive position in research as well as production, a development which would have national security implications.

Whether or not such fears are justified, they provide the atmosphere within which radical steps to curb imports are being debated. Such proposals as the one floated by Motorola have yet to win endorsement on Capitol Hill in the shape of legislation, but they have attracted sympathetic comment from Republican leaders.

The Motorola proposal is based on an economic study conducted for it by Data Resources Inc, a top U.S. economic consulting concern. Motorola is claiming that a 20 per cent import surcharge would yield a cut in the federal budget deficit of between $85bn and $100bn, an immediate improvement in the trade deficit, lower long-term interest rates, a lower dollar on the foreign exchanges, and a "limited and temporary" inflationary impact for the U.S.

It says that America's trading partners would benefit too, because the surcharge would bring "more predictability to our financial markets, reduce pressure on our trading partners' interest rates and enhance their ability to finance domestic growth, reducing pressure for trade protection."

Put this way, an import surcharge is a bill of goods which clearly has a seductive appeal to politicians. The problem is that Motorola has chosen to wish away all the risks inherent in its proposal by basing its analysis on assumptions which are, to say the least, tendentious. The summary of the Data Resources economic analysis which it has released to the public is deceptive.

As Mr Volcker pointed out last week in his letter to Representative Stanley Lundine, quoted above, the impact of an import surcharge is totally unpredictable. Many of the benefits which Motorola claims for it appear to stem from the unrelated, but critically important, assumption it makes that the budget deficit will be cut substantially while the surcharge is in force.

It is not hard to make out a case that an import surcharge would have opposite economic effects to the ones Motorola is predicting. To the extent that the surcharge did indeed cut the trade deficit and, through raising domestic prices, inflationary expectations and interest rates, the dollar might rise, not fall which would aggravate America's trade problems, especially for exporting sectors not protected by the high tariff.

There are questions about how foreign exporters will react to such a surcharge. If they try to hang on to market share and cut prices to do so, the volume of imports will not be reduced and the protective value of the initiative will be lost.

Above all there is the issue of whether other countries would retaliate—a danger which Motorola simply assumes away in its economic modelling. Mr Volcker, in contrast, warns that some countries might retaliate with a surcharge of their own, because of the attractiveness of the idea in helping them cope with their own economic problems.

Mr Fred Bergsten, a former senior U.S. Treasury official who now heads the Institute for International Economics in Washington, describes the surcharge as "an incredibly foolish idea . . . (which would) certainly trigger retaliation and/or emulation . . . (and) could ignite the oft-predicted onset of default by less developed country (LDC) debtors."

Motorola wishes away this problem too by suggesting that the President be given power "to alleviate any resultant LDC problems." As one U.S. official puts it, that simple statement glosses over a myriad of problems such as defining which countries are LDCs and to be helped and which products are to be allowed into the U.S. from them.

That so dangerous and unpredictable a weapon as an import surcharge is being seriously debated on Capitol Hill is symptomatic of the mounting frustrations about the economic problems which lurk behind the U.S.'s impressive figures for real growth and falling inflation.

As Congress faces up to the mysterious way the world economy is now working, it sees a dollar which will not fall in spite of gigantic current account deficits, declining real and nominal interest rates in the final quarter of 1984 and a President who appears to be uncertain about how high a priority to put on cutting the federal budget deficit. At the same time it is groping for answers to the chorus of complaints coming from constituents.

"Congress," says one staff expert on Capitol Hill "is always willing to take the cheap and easy way out." That is why the beguiling concept of an import surcharge is causing so many furrowed brows amongst observers more sensitive to the longer-term threat posed by such an initiative.

US ECONOMIC DIARY

REPRESENTATIVE John Dingell, chairman of the House energy and commerce committee, said yesterday that he is "actively drafting" legislation that would set an import surcharge on goods coming into the U.S.

In a speech before the U.S. Chamber of Commerce in Washington Mr Dingell, who is one of the more influential politicians on Capitol Hill on trade issues and comes from the car producing state of Michigan, said: "At a certain point in time our country will have to put in an import surcharge."

Asked whether such a surcharges might invite retaliation, he said that at least in the case of Japan "there is not much that the Japanese could do to this country that they have not already been doing."

He cited unfair trading practices in other countries as well as the strong dollar as partly responsible for the huge £123bn U.S. trade deficit.

Neves names Cabinet of 'national reconciliation'

BY ANDREW WHITLEY IN RIO DE JANEIRO

Sr Tancredo Neves, Brazil's new civilian president, yesterday announced the names of what he called a government of national conciliation. They will be sworn in immediately after his own official inauguration in Brasilia on Friday.

Most of the Ministers are new to the Federal Government, although many have had experience at the state level or else have served in the Federal Congress elected in 1982.

Sr Neves said the criteria used in selecting his team had been their individual "honesty, competence and federal spirit." The latter attribute is seen as a rebuttal to criticism that the Government largely reflects a balance of competing regional interests.

After many weeks of gestation, during which the infighting for office reached ferocious levels, the final composition of the Sr Neves' Government brought few surprises. Its make-up represents a triumph of the conservative forces dominating Brazilian politics and a corresponding setback for the aspirations of the Left.

The left wing of the Brazilian Democratic Movement Party, the leading party in the Government coalition, can claim only two genuine representatives in his Administration. They are Sr Walder Waldir Pires, the Social Welfare Minister, and Sr Almir Pazzianotto, the Labour Minister.

The armed forces ministers and other military chiefs announced yesterday are all serving men in good standing with their own services, preserving the continuity the outgoing Figueiredo Government fought hard behind the scenes to preserve during last year's election campaign.

Reagan reacts with caution to Mubarak's Mid East peace bid

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

THE REAGAN Administration yesterday welcomed Egyptian President Hosni Mubarak's latest Middle East peace initiative as "highly constructive" but made it clear that it was still not ready to take the lead in new negotiations.

U.S. officials also said that Mr Mubarak, who met President Ronald Reagan at the White House yesterday, was most unlikely to secure the full amounts of increased economic and military aid that he is seeking from Washington.

The U.S. still wanted to know more about the purpose of the proposed dialogue between Washington and a Jordanian/Palestinian delegation that Mr Mubarak has called for, the officials said. If the aim was to move on to the direct Arab-Israeli negotiations that Washington is seeking, it would be "illogical" to block the proposal, they said.

Washington, however, remains to be convinced that this is the intention, and believes that further contacts are needed between King Hussein of Jordan and Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, to clarify the question. Meanwhile, the U.S. position is still that it will not "prenegotiate" issues with the proposed delegation that should be tackled by the Arabs and Israelis directly.

On the aid front, U.S. officials said that Egypt is unlikely to be offered more than an extra $200m to $300m in the current 1985 fiscal year, against the additional $870m that Mr Mubarak is asking. Egypt is already due to receive just under $2bn in economic and military aid this year.

There were hopes, however, that a way could be found to solve the problem posed by Egypt's arrears of $285m in interest payments on past military loans. If further payments are not made by the summer, when the first instalments become a year overdue, U.S. law would require all aid to Egypt except emergency aid to be suspended.

U.S. officials point out that, under the law, Washington cannot accept Egypt's request for the arrears to be written off, and is also unlikely to agree to rescheduling. But it is thought most improbable that aid will be allowed to lapse. Egypt has told the U.S. that it could pay the arrears if necessary.

Canada sends more troops to Nato

By Bernard Simon in Toronto

CANADA IS to strengthen its Nato forces as part of the Conservative Government's policy of mending fences with the Reagan Administration and increasing the country's defence capability.

The Government said that an extra 1,200 troops will be assigned over the next 18 months to the Canadian mechanised brigade group stationed at Lahr, West Germany, raising the number of Canadian troops in Europe by 20 per cent to 7,200.

In a further move to beef up its Nato contribution, Canada is expected to announce within the next few weeks a short list of bidders for a C$600m low-level air defence system to be deployed in Canada and West Germany.

Grinspun appointment raises fears over handling of economy

BY JIMMY BURNS IN BUENOS AIRES

THE FUTURE course of Argentina's economic policy has again been thrown into doubt following the surprise appointment of Sr Bernardo Grinspun as the new Secretary of Planning.

Sr Grinspun returns to a Cabinet post only three weeks after he was abruptly sacked as Economy Minister because of his apparent inability to solve the country's economic problems.

In an unusual statement published on the front page of the pro-government daily La Nacion President Raul Alfonsin said that he had given Sr Grinspun the new post on the strict understanding that he would not interfere publicly in any way with the activities of Sr Juan Sourrouille, the new Economy Minister.

It is understood that President Alfonsin was reluctant to allow Sr Grinspun—one of his oldest personal friends—to sink into political oblivion.

Local bankers, however, yesterday privately expressed their fears that Sr Grinspun's abrasive personality could eventually destroy the cohesion of the new economic team.

Significantly Sr Alfonsin's personal involvement in the new appointment overruled the feelings of Sr Sourrouille's closest advisers who were unable to contain their satisfaction with Sr Grinspun's demise last month. There was one unconfirmed report yesterday that Sr Sourrouille had actually considered handing in his resignation only to decide against it after having received further reassurances from President Alfonsin.

As Secretary of Planning, Sr Grinspun will be entrusted with formulating working papers on medium and long-term economic strategy, and will be personally answerable to the President. The post however does not include any direct involvement in the daily formulation of economic policy, including the country's debt negotiations, and in theory makes Sr Grinspun subordinate to Sr Sourrouille.

Senior bankers here had earlier claimed that Sr Sourrouille had managed to take a welcome "180 degree" turn in economic policy, breaking with Sr Grinspun's original insistence on stimulating domestic consumption and switching instead to a more orthodox support for an anti-inflation drive and an export-led recovery.

Sr Grinspun still has considerable support within sectors of the ruling Radical Party, and is also a personal friend of Sr Alfredo Concepcion, the new governor of the central bank.

OBITUARY

Adams: staunch U.S. ally

MR TOM ADAMS, the Prime Minister of Barbados, who died suddenly on Monday at the age of 53, achieved a reputation for militancy against the political Left in the Caribbean. It was a position that was underlined when he and Barbados shot to the centre of world attention in October, 1983, when the small Eastern Caribbean island became the virtual launching pad for the U.S. invasion of Grenada.

The Prime Minister, had established himself as staunchly anti-Communist and a firm ally of the U.S. in the Caribbean. In his nine years as leader of the 430-square kilometre island of 250,000 people, Mr Adams managed a level of political and economic stability which was in contrast to an often turbulent region.

He was the moving force behind efforts at economic co-operation under the umbrella of the Caribbean Economic Community. Mr Adams spoke frequently and passionately in support of the Westminster-type model of democracy.

His death will be a setback neither to Washington's influence in the region nor to the growing number of conservative administrations in the Caribbean. Mr Bernard St John who, like Mr Adams, is a British trained lawyer, has been named acting Prime Minister and is expected to be confirmed to the post.

The foreign policy pursued by Mr Adams is not likely to chang as Mr St John shares the late Prime Minister's political outlook.

Progress made towards Antarctica agreement

BY OUR RIO DE JANEIRO CORRESPONDENT

FURTHER progress has been made towards an international agreement governing the prospecting and exploitation of minerals in Antarctica, following two weeks of negotiations in Rio de Janeiro among member countries of the Antarctic Treaty.

Mr Chris Beeby, a senior New Zealand official, who is chairing the intinerant negotiations, said last week the key outstanding areas were the role, and composition, of the international institutions to be set up to administer a "minerals regime" for the continent.

He said that "very real progress" had been made on the kind of institutions to be created and on some of the procedures they would adopt, as well as on measures to protect the environment—a key concern of the 32 treaty participants.

The institutions envisaged are a central commission with regulatory authority for the whole region, an advisory committee providing scientific and other advice, a series of smaller regulatory committees and a secretariat.

The new Antarctic agreement will not be a detailed mining code—that is to be left until future discoveries warrant such a step—but it will be linked to the existing 1961 treaty. Contrary to popular opinion, this treaty does not expire in 1991.

Meeting in Rio over the past two weeks were the original claimant countries — Britain, France, Norway, Australia, New Zealand, Chile and Argentina —as well as the five other original treaty members. These include the U.S. and the Soviet Union. In addition 15 of the 16 countries with observer status attended.

According to Mr Beeby, another two or three meetings will be needed to complete the work, but these are bound to be the toughest, as the real issues separating the claimant from the non-claimant countries interested in a stake in Antarctica's potential riches are approached.

Wimpey wins consultancy deal in Malaysia

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

WIMPEY International, part of Britain's biggest construction company, George Wimpey, has won a contract to carry out a feasibility study for a $1bn (£917m) aluminium smelter in Malaysia.

The initial study—which is to be carried out for the Heavy Industries Corporation of Malaysia—is to determine the economic viability of the plant, and confirm the extent of the bauxite reserves o nwhich it depends.

If feasibility is confirmed and the project proceeds, Wimpey will be awarded a full turnkey contract to build the $1bn plant. The intention is that this would be carried out with the French aluminium producer, Pechiney.

Wimpey and Pechiney are already carrying out a feasibility study for a proposed $800m aluminium plant to be built in South West China. Wimpey has built turnkey aluminium smelters in Dubai and Bahrein in projects worth £716 and £54m respectively.

The planned Malaysian smelter would produce 110,000 tons of aluminium a year, and would be located at Kuantan on the East coast.

The smelter forms part of the Malaysian Government's industrialisation policy, and would replace the 60,000 tons of aluminum the country imports each year with demand still rising.

The feasibility study will also determine whether the smelter should be run off the national electric grid or whether a new gas fired power station would be needed to supply it.

Wimpey promoted the project to build the smelter as part of its strategy to look increasingly for specialist industrial projects in the face of declining international construction workloads and increased competition from low labour cost contractors.

Wimpey is also aiming to increase the proportion of work it carries out in the Far East to compensate for the declining construction market in the Middle East.

At present, 50 per cent of Wimpey International's £200m a year turnover is carried out in the Middle East. The company predicts this is likely to fall to 30 per cent, with a compensating shift to increased workloads in the Far East, which at present only account for 15 per cent of Wimpey International's turnover.

George Wimpey is also increasing its volume of work in North America, which accounted for £231m turnover in 1983 and is predicted to reach £251m in 1984.

Other British contractors are also turning their attention to the Far East to compensate for declining workloads in the Middle Eastern oil countries.

British construction companies working in Malaysia include: Henry Boot, which is building microwave stations as part of a $1.2bn telecommunications contract awarded to ITT; Balfour Beatty, which is working on an £18.5m dam contract for water storage; and British Alcan, which is building a £7m mosque in the state of Selangor, with the dome made out of 13,800 aluminium tubes.

EEC moves closer to standardising its standards

Nicholas Colchester reports on how a 'safety first' principle could create a freer flow of goods

PRODUCT STANDARDS are a classic form of non-tariff barrier and have played their part in preventing the EEC becoming an open market place in which the industries of the member states have free rein.

There is a good chance that 1985 will see the introduction of a radically new approach to this problem, one that will create a much greater presumption of the right of goods to cross national frontiers within the EEC.

Until now goods have only been marketed in a member state if they conform to that state's national standards, or to an EEC product standard. The quest for the open EEC market has thus been a quest for EEC standards worked out in great detail by the European Commission, assisted by the two Community standards institutes, CEN and CENELEC, and made law by a unanmious vote in the Council.

This wearisome process has generated 177 prodnct directives since 1969 of which 50 concern the motor industry and another 35 weights and measures. It took an average of about 10 years to get each of the last 15 directives onto the books.

The result is that technology has often moved faster than the evolution of EEC standards.

There are already standards in existence which describe products no longer made. Some of these directives run to 150 pages.

A new approach became a glaring necessity and was prompted by two other developments. The first was the Cassis de Dijon ruling of Febraury 1979 in the European court.

This ruled that West Germany had to accept the import of Creme de Cassis from France even if the liqueur did not conform to any German standard for alcoholic drinks. If the produce was legally marketable in France, it should be marketable anywhere in the EEC.

The only grounds for blocking import of the drink, said the court, was that it posed a danger to health or safety. West Germany tried to assert that its standards were based on considerations of health, but failed to convince the court.

This judgment suddenly placed the onus on member states to show that any standards they chose to impose on imports were safety standards.

The second impulse was a Council directive of March 1983, insisting that new national standards be registered with the Commission before they went into force. This was aimed at preventing a proliferation of national standards overwhelming the efforts to create European ones. It clearly required the Commission to have a workable system to respond to these submissions and, in particular, to decide whether they were vital for health and safety.

A new approach has been worked out over the last 18 months. It has been adopted by the Commissioner for the Internal Market, Lord Cockfield, and will, if all goes well, be accepted in principle by the European Council in May.

It says that only safety standards need be harmonised and enshrined in Community law by a unanimous vote in the Council. Provided national standards meet these safety criteria, goods made to those national standards will be free to circulate anywbere in the Community.

This approach obviously requires a vetting system both to decide which national standards get the centralised seal of approval and to cope with claims from member states that the standards of other states are inadequate, are being applied in lax fashion, or that certain products do not conform to them. The Commission plans to set up a standing committee drawn from all the member states, which will "advise" it in this task. A likely bone of contention will be the exact relationship between the Commission and this Committee, and the voting majority required to give the thumbs-down to a particular national standard or product.

The new system does not mean that the Commission has abandoned all attempts to create fully harmonised standards, which go beyond the safety requirements and seek to establish normal European dimensions for tap-washers, electric plugs or whatever. The Commission still hopes national standards will be progressively replaced by European standards.

It hopes that the process of creating thesa detailed norms will be easier once they are no longer legally essential for community-wide sale of the goods covered by them.

The basic thrust of the new approach is "legislators should legislate (on safety) and standardisers should standardise."

The idea is that the CEN and CENELEC should be left to get on with the job of reconciling the conflicting norms of the various national standards institutes to create detailed European standards. They will have to devise their own procedures to do this, and the hope is that these will involve majority voting to break the deadlocks that would otherwise result.

It is in this area that the smaller EEC members—Ireland, Denmark, Greece—have their main reservations about the approach. The draft directive prepared by the Commission makes it clear that once a fully harmonised EEC standard is agreed, it must replace the existing national standards.

In other words, the Irish pressure-vessel producers who was happily selling across the EEC on the strength of the IIRS certification of his products, would suddenly find himself having to meet European norms, or else go through the complicated process of proving that his non-standard vessels met the essential EEC safety requirements.

The smaller countries will want to make sure that the arrangements to create detailed standards do not allow heavyweight standards, like Germany's DIN, to steamroll other national standards out of the way. In particular, they will watch attempts by the Commission to give itself powers to decide how and by whom fully harmonised standards should be created. The intimations that the Commission has such ambitions.

Assuming such objections can be resolved or postponed, the hope is that the new "safety first" approach will be agreed in principle in May. The real test will come in the autumn with the attempt to agree the safety minima for pressure vessels.

The Commission wants to keep criteria broadly applicable —the pressure vessel rules should encompass everything from scuba tanks to cigaretta lighters. It wants safety standards concerned with ends and not means, because while means become obsolete the ends (pressure-vessels should not exploda) remain the same. Yet it is possible that different national experts will insist that their detailed national specifications are vital ingredients of product safety.

This is the fourth in the series on liberalising the European Community's markets.

Soviet Union to consider payment from Italy in Ecus

BY JAMES BUXTON IN ROME

A TEAM of four Soviet officials is shortly to arrive in Rome to discuss Italy financing exports to the Soviet Union in European Currency Units (Ecus).

The visit is regarded in Rome as a major step forward in resolving the problem of Italy's large trade deficit with the USSR. It may also point the way to the use of the Ecu in trade credits, which the Soviet Union has so far refused.

The Soviet decision to send the team follows the recent visit to Rome of Mr. Andrei Gromyko, the Soviet Foreign Minister, and Mr Nicolai Komarov, the Soviet vice-minister for Foreign Trade.

Although Italy last year had a deficit in its trade with the USSR of L4,300bn (£2.1bn) Soviet authorities have been reluctant to sign major new contracts with Italian companies, although contracts worth several billion dollars are close to finalisation.

The principal problem concerns financing, with the Soviet authorities reluctant to accept the rate agreed by OECD export credit agencies for subsidised trade credits in dollars, and unwilling to pay the much hihger nominal rates financing in lire would entail.

The advantage of Italy financing deals in Ecus is that this weigheted average of currencies carries lowe rinterest rates than the lira itself authough it includes the Italian currency There is no OECD rates for financing in Ecus.

There are major technical problems in making trade financings in Ecus, while the Soviet Union would have to change its internal rules to accommodate them.

Mr Komarov indicated to the Italian government that the Soviet Union would try to cut its surplus with Italy by a third this year, and get it down to half its present level in 1986. But this can only be done if the trade financing problem is solved.

The joint Soviet-Italian Trade Commission will meet in Rome next month.

Among the contracts Italy wants to see concluded are: contracts with the Fiat group worth about $750m (£468m) in the fields of machine tools, earth moving equipment, diesels and tractors; a steel plant worth L600bn to be built by Danielli; a contract for a plant to build drilling equipment involving both state and private sector companies for a valne of L400bn; and a pipe-making plant worth about L1,000bn for companies in the state-owned IRI group.

U.S. and India to finalise contract for 19 computers

BY JOHN ELLIOTT IN NEW DELHI

THE SALE of 19 U.S.-built computers, woth abont $11m, to India is likely to be finalised soon following agreement between the two countries at the weekend.

The agreement on high technology deals came in the from of a memorandum of understanding and followed months of negotiations.

European and Japanese companies are now likely to face tougher competition from U.S. manufacturers of computers, telecommunications equipment and some defence equipment when tendering for business in India.

This comes at a significant time because U.S. companies in a wide range of industries are showing increased interest in India now that Mr Rajiv Gandhi, the Prime Minister, is liberalising economic and industrial controls.

U.S. export regulations have in the past deterred U.S. high technology companies from tendering and have held up confirmation of contracts. The 19 computers have all been awaiting approval by the U.S. Government for between six months and a year.

The memorandum is intended to speed transactions because contracts will no longer have to be examined on a case-by-case basis if they appear on the U.S. State Department's control lists for commodity and munitions exports.

Suppliers of the 19 computers include Sperry, Control Data Corporation and Digital Equipment. They are destined for two Indian science institutes, Indian Railways, a space research organisation and two defence-related concerns.

A separate approval has been granted to IBM to return to the Indian market after a gap of seven years with the sale of a $5m computer for an inter-city network. Approval has also been requested for another major IBM sale to the oil and natural gas commission.

The memorandum will cover transfer of technology as well as purchases of equipment and would ease joint manufacturing ventures being explored in India by companies such as Honeywell, Wang, and Hewlett-Packard.

In the memorandum, to be signed soon, India has assured the U.S. it will adequately protect imported technology which will not be permitted to be handled by unauthorised users or be diverted to countries the U.S. would regard as undesirable.

India's first fast breeder test reactor at Kalpakkam, near Madras, in south India will be commissioned in August 1985, said Mr Raja Ramanna, chairman of Atomic Energy Commission, writes R. C. Murthy in Bombay.

The fast breeder, together with a research reactor at Bhabha Atomic Research Centre in Bombay, to be commissioned in five weeks, would produce plutonium, which will not be subject to international inspection.

The commission plans to set up an atomic research centre in eastern India. Initially, it will have a small reactor similar to the 40 MW Cirus reactor, set up in Bombay in 1960 with Canadian assistance.

A research centre in accelerators, lasers and plasma systems is under development in Indore in central Indian state of Madhya Pradesh.

Money supply still near top of target range

BY PHILIP STEPHENS

THE GROWTH rate of Britain's money supply slowed last month, but buoyant demand for bank credit kept it close to the top of the Government's target range.

The Bank of England announced yesterday that the most closely-watched measure of the money supply, sterling M3, rose by about 0.5 per cent in the five weeks to February 20.

That took its growth since the start of the current target period in February 1984 to 9.5 per cent, down from an annualised rate of 10 per cent the previous month, but left it near the top of the 6 to 10 per cent official target range.

The figures caused some disappointment in the City of London where expectations had centred on no change or even a fall in sterling M3 during the month.

In particular, the £1.6bn of bank lending recorded in February suggested that the sharp rise in base rates to 14 per cent the previous month had little immediate impact on credit demand.

The Bank's announcement led to a reversal of earlier gains in the gilt-edged (government stocks) market and prompted a small rise in sterling interest rates on the London money markets.

That in turn dampened hopes of a significant fall in bank base rates, although many City economists are still predicting that, if sterling holds steady, there could be a small cut – perhaps of 0.5 percentage points – about the time of next Tuesday's budget.

Peter Riddell writes: Mr Edward Heath, the former Tory Prime Minister, will tonight put forward his "medium-term real strategy." It is designed to focus moderate opinion in the Tory Party on next week's budget.

In detail he will urge a £2bn boost to spending on national infrastructure, a £1.5bn increase in spending on national training, a £1.5bn rise in Department of Industry spending to create a new partership with business at a regional level and to help update manufacturing industry.

Mr Heath says his measures would mean public borrowing of £12bn in 1985-86, compared with the existing Treasury target of £7bn. He is also advocating a rise in child benefit of £1.50 per child per week, over and above the 35p increase needed to match inflation, with no change in basic rates and scope of Value Added Tax and income tax.

Mr Heath rejects the view that these measures will boost inflation and argues that sterling will be stabilised by joining the exchange rate mechanism of the EMS.

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'DANGER OF NEO-ISOLATIONISM' IN U.S. DEFENCE STRATEGY

Heath delivers star wars attack

BY PETER RIDDELL, POLITICAL EDITOR

MR EDWARD HEATH, the former Conservative Prime Minister, yesterday strongly attacked the Reagan Administration's Strategic Defence Initiative (SDI), the so-called star wars project, during a major speech in which he urged closer European foreign and defence policy integration.

The main theme of his lecture to the Royal Institute of International Affairs was: "The best way to be an Atlanticist in the late 1980s is to be European."

Mr Heath said he shared the view that "the SDI would be decoupling, destabilising and a diversion of resources. The U.S. would be deluded into a false security, which could encourage a neo-isolationism."

He argued that the Soviet Union would have 20 years to develop counter-measures, while star wars would be no defence to cruise and tactical nuclear missiles which could easily slip under the defence shield.

"Star wars will not free the world from nuclear weapons. If you think there is an arms race now, you ain't seen nothing yet," he said.

He argued that, in the light of these and other recent developments, the U.S. leadership role should be replaced by a partnership between the U.S. and Europe. "European foreign and defence policy integration is the best way to reform the alliance both to even out the power relationship between Europe and the U.S. and to distribute the burdens of defence more evenly."

In the House of Commons yesterday Mr Neil Kinnock, the Labour leader, urged Mrs Margaret Thatcher, Prime Minister, to relay Mr Heath's view to other Western leaders attending the funeral of President Chernenko. She replied: "I shall say that the U.S. is right to do the research."

Mr Heath also argued that no main forum for European defence co-operation was yet adequate to the task. "We need an organisation which includes all the European members of the alliance; is close enough to the European Community to be able to use it to organise common procurement and fulfil a role to encouraging convergence of foreign policy which is not remote from alliance structures."

Brittan rules out 'spy' complaints body

BY MARGARET VAN HATTEM, POLITICAL CORRESPONDENT

MR LEON Brittan, the Home Secretary, yesterday ruled out proposals to establish an independent authority to investigate complaints by members of the security services about alleged breaches of the rules.

Members who had complaints, he told the House of Commons, should take the matter up with senior officers of their own agencies. That was the proper function of senior management.

Mr Brittan was introducing the Government's controversial Bill on telephone and mail Interception. During his speech, he referred to allegations in a recent television programme on MI5 (Counter intelligence), which were made by a former MI5 officer, Miss Cathy Massiter, that the agency had broken its own rules.

He said he had conducted his own inquiries into the allegations and had concluded that the security service had carried out no unauthorised interceptions.

He added that the Director of Public Prosecutions had asked the Metropolitan police to investigate allegations that MI5 agents committed criminal offences. (The film alleged such offences as burglary had been committed to obtain documents.)

But he rejected suggestions by Mr James Callaghan, the former Labour Prime Minister, that some form of independent authority should be set up so that, in future, MI5 officers facing the same moral dilemma as Miss Massiter should have an outlet for their misgivings other than television.

Mr Callaghan, later supported by Sir Edward Garner, chairman of the House of Commons select committee on home affairs, suggested that the scope of the new post of security commissioner, created by the Bill should be widened to include responsibility for hearing such complaints, instead of dealing merely with interceptions.

Mr Brittan insisted that this function should be kept within the security services. "I would not wish there to be an atmosphere in which any individual felt it was improper or undesirable to raise his concern," he said.

He would not, however, give the categoric assurances demanded by Mr John Golding, Labour MP and former Post Office engineer, that other Post Office engineers involved in phone tapping should be able to speak freely of their work to the new tribunal established by the Bill, without fear of prosecution under the Official Secrets Act.

Mr Gerald Kaufman, the shadow Home Secretary, said the security services must be made more accountable to parliament. Labour would introduce amendments to have the new Commissioner appointed by the House of Commons and accountable to one of its select committees rather than to the Prime Minister as proposed in the Bill.

Finance directors 'ignorant' of changes in City

BY BARRY RILEY

LEADING BRITISH finance directors remain largely ignorant of the new alignments being formed by banks and stockbrokers in the City of London, according to a survey commissioned by St. James's Corporate Communications, the advertising and public relations group.

Out of 50 finance directors surveyed, the most knowledgeable could name only five of the new City groupings, and 18 could not mention even one.

The survey implies that the City firms have largely failed to keep their big corporate clients informed of major changes in ownership and relationships.

For example, three of the companies polled were clients of stockbrokers W. Greenwell, and another three were clients of Hoare Govett. None of the six could identify the links forged by these firms with Samuel Montagu and Security Pacific respectively (and two of the Hoare Govett clients were unaware that any change in ownership was being planned).

There was more awareness among clients of Rowe & Pitman, part of the grouping centred on the merchant bank S. G. Warburg. Of five R & P clients, two identified the correct link, two knew that a link had been made, and only one was unaware of any change.

A majority of 35 of the 50 finance directors considered that a takeover of their stockbroking or merchant banking adviser would prompt a reconsideration of the relationship.

But an overwhelming majority of 47 out of the 50 believed that the relationships with their City advisers should be long-term. There was no evidence of a move to a more transaction-oriented basis.

Accordingly the companies were inclined to wait and see how the new City groupings developed. Generally changes in advisers would only be sought if companies felt advice was being compromised by conflicts of interest.

The response of the financial officials was noticeably positive to the prospect that overseas organisations would become more active in the City and on the stock exchange. This was thought to be a helpful trend by 35 respondents, and was considered unhelpful by only 4.

This may reflect the international basis of the business of many of the companies involved in the survey. The random sample was drawn from the FT 500 list of large UK quoted companies (excluding the banks).

The survey was compiled by Research Services, on the basis of interviews conducted in mid-February.

Because a majority of companies had overseas dealings, the presence of overseas financial services suppliers in London was seen as beneficial. Only a small minority felt dubious.

Customer Reactions to the City Revolution, available from St. James's Corporate Communications.

Trade Department protests over U.S. block on letters of credit

BY MARGARET HUGHES

THE DEPARTMENT of Trade and Industry (DTI) has told the New York State Insurance Commission that it is concerned about a ruling which excludes UK banks from writing letter of credit business in reinsurance – a multi-billion dollars market.

The DTI, which has made its representation through the British Trade Development Office in New York, regards the ruling as a restrictive trade practice.

At present only banks which are members of the U.S. Federal Reserve System or are U.S. state chartered banks are able to undertake this business. The National Association of Insurance Regulators (NAIC), will accept letters of credit issued only by these banks.

The NAIC comprises the different state insurance regulators in the U.S., of which the New York Commission is considered to be the most important.

Because of this ruling the business is dominated by U.S. banks such as Citibank, Chase Manhattan and Bankers Trust. UK clearing banks are concerned that they are missing opportunities in this market at a time when more and more U.S. reinsurance business is being written through London.

They also fear that unless they establish a presence in the market they will suffer once this facility becomes more widely used in Europe.

British banks are able to undertake this business only through their U.S. subsidiaries which meet the NAIC requirements. The amount of business they are able to do is minimal, however, since this is tied to the capital base of subsidiary which would be subject to individual state regulations.

The matter has now been passed to the DTI after attempts to resolve the issue through appropriate banking channels.

With the expansion of reinsurance business ceded out of the U.S. letter of credit business is expanding rapidly. This is because tougher U.S. insurance regulations, aimed at strengthening the financial security of U.S. insurance companies, requires wider use of this facility by foreign or "non-admitted" companies reinsuring business out of the U.S.

These reinsurers are able to use letters of credit as a substitute for cash deposits or securities to offset the reserves required against future claims.

Drug imports take bigger share

BY TONY JACKSON

PHARMACEUTICAL imports increased their share of the UK market last year, despite the weakness of sterling. Total National Health Service (NHS) sales rose 10 per cent to £1,750m, but imports rose by 15 per cent to £542m.

Imports as a percentage of NHS sales were higher than at any time since 1974. Over the same period exports have dwindled from being larger by value than total NHS sales to being 30 per cent smaller.

The Association of the British Pharmaceutical Industry (ABPI), however, said that exports "maintained their excellent record in spite of current difficulties with the Government over NHS sales." The total export figure of £1,222m was 14 per cent higher than in 1983, with the U.S. still the largest single market. British pharmaceutical exports to the U.S. of £102m showed a £34m surplus over U.S. imports.

UK PHARMACEUTICALS SALES (£m)

	NHS sales	exports	imports
1980	1,033	746	223
1981	1,202	852	[illegible]
1982	[illegible]	978	375
1983	[illegible]	1,074	470
1984	1,750	1,222	542

Source: Association of the British Pharmaceutical Industry.

Figures given by the ABPI for sales adjusted for UK inflation show exports – which had fallen sharply in real terms in 1979 – rising for the first time to marginally above 1978 levels.

In the import market, a significant factor in recent years has been the phenomenon of parellel importing, whereby distributors have bought supplies of drugs cheaply on the continent and brought them back to the UK for sale to chemists.

Kevin Brown writes: The Government is "sympathetic" to calls for an appeals procedure for exceptions to the limited list of drugs available on the NHS, Mr Norman Fowler, the Social Services Secretary, told the House of Commons yesterday.

Jason Crisp looks at a project for wafer-scale circuits

Sinclair plans super chip

SIR CLIVE Sinclair, Britain's best-known and most prolific entrepreneur, was in sparkling form yesterday as he revealed ambitious plans to go into wafer-scale semiconductor production.

The plan to raise £50m with the help of Mr Robb Wilmot, the man who rescued ICL, the British mainframe computer company, took everyone's mind off the less than sparkling results from Sinclair Research, the home computer group.

Sir Clive is trying to leap over existing microchip technology in a single bound. "We will make (semiconductor) memory products for very much less than anyone else in the world. We will be much more cost effective than the Japanese," he said with undisguised glee.

The Sinclair proposal is to build a wafer-scale integration plant which would go into production next year. Wafer-scale integrated circuits are made in a similar way to conventional microchips. But instead of chopping the wafers up into hundreds of individual microchips which are then packaged, the circuits are left in one place on the slice of silicon.

Wafer-scale integration brings with it the prospect of producing huge and very powerful circuits on single component. Sir Clive said the first product would have seven mega-bytes of memory on 4in wafer – in other words you could store more than a million words of text in such a device. A product such as that would have a substantial market providing mass memories for computers.

The current generation of mass memory microchip, the 256K RAM, can store about 256,000 units of computer information compared with the 56m which could theoretically be stored in wafer product.

A number of other companies have looked at the possibilities of a wafer-scale integration but most have been daunted by the immense problems associated with the task. The only company to try to go into commercial production with wafer-scale integration is Trilogy.

Trilogy was set up by Mr Gene Amdahl, the brilliant former computer engineer from IBM, who in the 1970s established Amdahl Corp.

He then established Trilogy in the early 1980s to build a powerful new generation of super-computers using wafer-scale integration.

Trilogy attracted backing from substantial companies such as Sperry and Digital Equipment in the U.S. and Bull in France. But after spending over $200m on research Trilogy has abandoned its efforts to produce a wafer-scale product and is concentrating on more conventional technology.

One of the greatest problems in producing wafer-scale integration is in the extraordinary complexity of design and the inter-connection of all the circuits on the wafer. A further difficulty is producing a reliable device.

In the conventional production of microchips, typically 20 per cent or more are thrown away because of faults. Wafer scale production would require higher quality production and considerable built-in redundancy to correct the inevitable faults. Other problems include dissipating the heat generated by all the circuitry.

However Sir Clive believes he can solve the problems and says a U.S. firm of consultants were optimistic about the project once it had seen the details.

One important reason why Sir Clive believes the company can succeed is because of patents Sinclair Research has bought from Mr Ivor Catt, a British computer theorist. The original work was done by Mr Catt in the 1970s with backing from the Government.

Sir Clive and Mr Robb Wilmot will clearly have an uphill task persuading wary financiers that they can succeed where others such as Mr Amdahl have failed.

Mr Wilmot's backing gives some more credibility to the project. Before he joined ICL in 1981 Mr Wilmot was head of the British operations of Texas Instruments, the U.S. semiconductor company. Sir Clive's own reputation is somewhat mixed

ICI energy switch will double demand for coal

BY MAURICE SAMUELSON

IMPERIAL CHEMICAL Industries (ICI) is to spend £43m on adapting two boilers at its private power station at Wilton, Teesside, to burn coal instead of oil or gas.

The scheme, due to be completed in 1987, will double ICI's coal consumption to 1m tonnes a year and offers the British coal industry the prospect of its biggest slice of new business for several years.

ICI abruptly shelved the scheme a year ago when the miners' strike broke out. At the time it also blamed its decision on the tax implications of the 1984 budget, and dissatisfaction over the level of government funding for the scheme.

All these problems have now been overcome. The scheme is attracting £12m of government aid – an £8m regional development grant and £4m under the Energy Department's boiler conversion assistance programme.

Welcoming ICI's decision, Mr Malcolm Edwards, the National Coal Board's commercial director, said it demonstrated his industry's ability to win new business "if we can maintain sensible costs and remain a reliable supplier."

This is ICI's fifth and largest switch to coal in the past four years. The others, carried out at a total cost of £27.3m, are at Lostock and Winnington in Cheshire, Stevenston in Scotland, and Buxton, Derbyshire.

In all cases, ICI has retained the ability to burn other fuels should coal supplies be interrupted. The Wilton equipment can burn heavy fuel oil, natural gas or gases or liquids produced as by-products of chemical processes.

ICI said yesterday that the conversion would incorporate the latest technology and particular attention would be paid to environmental considerations. Special equipment, costing about £7m, would be installed to remove dust particles from the flue gases to ensure compliance with dust emission standards.

The emergency use of oil at power stations, introduced during the coal strike, is expected to end by March 31 to ensure that the additional costs, already estimated at nearly £2bn, do not continue into the new financial year.

In the past 12 months, the Central Electricity Generating Board has burned about 20m tonnes of oil to replace about 35m tonnes of coal, nearly half its normal coal consumption.

Steel workers 'hampered pit strike'

BY IAN RODGER

BRITISH STEEL Corporation (BSC) claims credit for hampering the progress of the miners' strike in its early stages.

Sir Robert Haslam, BSC chairman, said in a speech last night that the course of the strike could have been very different if the corporation's workers had succumbed to pressure from the mineworkers and other unions to stop production.

"I have the temerity to believe that, if our employees and management had not responded so positively in those early days of the strike, our production would have been halted very quickly with immediate, serious ripple effects for the motor, food and many other key industries.

"Also, other unionised employees would undoubtedly have been encouraged to show much more solidarity with the miners. Thus, the evolution of the strike could have been very different, and the pressures on the National Coal Board and the Government would have been immeasurably greater."

Sir Robert said BSC had had to resort to extraordinary measures to keep going, including massive lorry convoys and the use of armadas of small ships delivering imported coal to small ports.

"It is a striking tibute to human ingenuity and determination that the industry has operated at normal levels for the past nine months," he said.

These and other measures were, however, very costly. Sir Robert said some £175m in losses were incurred by BSC in 1984-85 because of the strike. "That has been the cost of saving our industry and its jobs from this external assault and of keeping all our customers and markets supplied."

Without the strike, BSC would have operated at break-even throughout most of the present financial year, which ends this month.

This would have far exceeded the Government's target for BSC of breaking even before interest this year, a remarkable achievement considering the cost-price squeeze on the steel industry.

"Our domestic selling prices today are still about 30 per cent lower in real terms than they were in 1979," Sir Robert said. "They are also close to 30 per cent below U.S. steel prices and about 15 per cent below Japanese domestic prices. All our raw material prices have been rising dramatically. It is only because of improved efficiencies in our own operations that we have been able to survive."

BSC calls for mill closure

By Lorne Barling

NEW DISCUSSIONS with the Government on the closure of one of the British Steel Corporation's (BSC) strip mills must take place now that the coal strike is over, Mr Bob Scholey, chief executive of BSC, said yesterday.

"It is well known that we feel we have one strip mill too many and while the strike has been running it has not been easy to talk to the Government," he said.

He pointed out that state aid for BSC was scheduled to end in March next year, and he believed that 1986 would also be a watershed for the European steel industry as further cuts took place, particularly in France and Italy.

Ravenscraig in Scotland is regarded as the most likely strip mill for closure, but the corporation is aware that the political implications of any closure are considerable.

Mr Scholey, speaking at the annual meeting of the Midwest Scrap Association, said that BSC had emerged virtually unscathed from the miners' strike.

BSC's main problem in recent years had been the weakening of the British manufacturing base, which had led to cuts in steel-making capacity. Recently there had been a significant rise in domestic demand.

Woodlands 'free of acid rain pollution'

BY ANDREW GOWERS

A STUDY of tree health in British forests has revealed none of the symptoms of pollution damage found in those in West Germany and frequently blamed on acid rain, the Forestry Commission said yesterday.

The survey, the first of its kind in Britain, discovered normal levels of crown thinning and no sign of yellowing of pine needles – two common measures of damage from air pollution which are widespread in German forests.

"This survey has shown no signs of the damage seen in West Germany nor any unexpected abnormalities, and this is very reassuring," commented Dr Bill Binns, the commission's head of site studies. He said it provided "a good base line" to measure any changes when the exercise was repeated this autumn.

The study was immediately attacked as "inadequate and unduly complacent" by Friends of the Earth, the environmentalist group which has mounted an increasingly vociferous campaign for government action on acid rain.

Mr Jonathon Porritt, the organisation's director, said: "The Forestry Commission has failed to treat seriously the possibility of tree damage on a scale similar to that seen in Europe. We believe the damage in the UK is likely to be more severe than this report suggests."

The survey was produced with assistance from a West German tree scientist, Dr Gunther Hartmann from the Lower Saxony Research Institute.

Lawson to give pit strike cost

A FIRM promise that Mr Nigel Lawson, Chancellor of the Exchequer, will announce the cost of the coal strike in his budget statement next Tuesday came in the House of Lords yesterday.

The Earl of Avon replying during question time said this would be an up-dated assessment.

Now that the strike was over the Government would be considering with the industry the cost incurred. It was too early to say what the likely amount would be, and no decision had been taken on how the extra costs would be met, he said.

Court releases union funds

By Raymond Hughes

THE SOUTH Wales area of the National Union of Mineworkers has succeeded in recovering funds frozen since last August because of its contempt of court.

A High Court judge decided yesterday that the union had cleared its contempt – even though it had not apologised for breaking court orders or given any assurance that it would obey the court in the future.

Mr Justice Scott said that a sequestration order made in August had served its purpose of securing the union's obedience and so it could be discharged.

He said the union had been adequately punished by being fined £50,000 and being deprived of over £700,000 of its funds for more than seven months.

It had since obeyed the orders that led to the fine and had recognised the court's authority by applying for an end to the sequestration.

The miners' strike was over, and the occasion for any further breaches of orders seemed to have gone.

De Beers

De Beers Consolidated Mines Limited

Provisional Annual Financial Statements and Declaration of Dividend

The following are unaudited abridged consolidated financial statements for the year ended 31st December 1984 together with comparative figures for the year ended 31st December 1983.

CONSOLIDATED INCOME STATEMENT

	Year ended 31st December 1984 R millions	1983 R millions
Diamond account	575.2	430.2
Investment income	182.9	161.7
Other interest	80.0	66.7
Share of retained profits after tax of associated companies	345.2	226.8
Net surplus on realisation of investments	7.6	7.5
	1 190.9	892.9
Deduct:		
Prospecting and research	88.5	56.5
General charges	8.8	9.2
Interest payable	155.3	73.2
Amount written off fixed assets and loans	4.9	1.7
Loss on realisation of fixed assets	1.3	—
	258.8	140.6
Profit before tax	932.1	752.3
Deduct:		
Tax	166.8	157.0
State's share of profit under mining leases	2.6	8.4
	169.4	165.4
Profit after tax	762.7	586.9
Deduct:		
Profit attributable to outside shareholders in subsidiaries (Note 1)	83.2	54.9
Dividends on preference shares	1.8	1.8
	85.0	56.7
Net profit attributable to deferred shareholders before extraordinary items	677.7	530.2
Add:		
Share of extraordinary profits of associated companies	56.2	5.7
	733.9	535.9
Deduct:		
Transfers to reserves including share of retained profits of associated companies	402.5	375.7
Deferred dividends — 40 cents per share (1983: 40 cents)	143.9	143.9
	546.4	519.6
Increase in unappropriated profit	187.5	16.3
Earnings per deferred share before *extraordinary items* — cents:		
—excluding share of retained profits of associates	92.4	84.3
—including share of retained profits of associates	188.4	147.4

CONSOLIDATED BALANCE SHEET

	Year ended 31st December 1984 R millions	1983 R millions
Deferred share capital	18.0	18.0
Non-distributable reserves	1 702.5	1 259.8
Distributable reserves	4 646.8	3 258.7
Deferred shareholders' funds	6 367.3	4 536.5
Preference share capital	6.8	6.8
Outside shareholders' interests in subsidiary companies (Note 1)	340.0	218.3
Long- and medium-term liabilities (Note 4)	881.1	416.3
	7 595.2	5 177.9
Fixed assets:		
Claims, mining interests and property	253.9	175.4
Plant, permanent works and buildings	93.7	25.6
Unlisted trade investments	362.9	348.6
	710.5	549.6
Stores and materials	98.9	59.4
Diamond stocks (Note 3)	3 875.3	2 253.9
Listed investments (Market value R3 262.3 million —1983: R2 966.1 million)	2 333.7	1 583.0
Unlisted investments (Directors' valuation R306.5 million—1983: R217.0 million)	158.1	156.0
Long-term loans	117.9	94.4
Loan portion of tax	12.1	76.4
Deferred tax and State's share of profit	7.1	8.5
	7 313.6	5 081.2
Current assets:		
Cash	157.9	187.0
Other current assets	1 274.8	867.1
	1 432.7	1 054.1
Less:		
Current liabilities:		
Tax	55.4	51.4
Dividends	99.8	99.8
Creditors	617.7	553.5
Bank borrowings (Note 4)	378.2	252.7
	1 151.1	957.4
Net current assets (Note 4)	281.6	96.7
	7 595.2	5 177.9

Notes:

1. **New subsidiaries.**
Certain diamond manufacturing and processing companies formerly classified as associates have become subsidiaries. The results of these companies for 1984 have therefore been consolidated, which accounts for the increase in outside shareholders' interests. Had the companies been subsidiaries in 1983 attributable earnings, excluding the share of retained profits of associates, would have increased from R303.4 million (84.3 cents per ebare) to R307.7 million (85.5 cents per share), the total attributable earnings being unchanged.

2. **Diamond sales.**
CSO sales in 1984 expressed in tbe currency of sale were US$1 613 million (1983: $1 599 million). When expressed in Rand at the rates ruling at the time of eacb sight, sales were R2 306 million (1983: R1 771 millioo). Had the Rand/Dollar rates ruling at tho end of the respective years been applied to the sales, they would bave amounted to R3 205 million (1983: R1 946 million).

3. **Diamond stocks.**
Diamond stocks were higher by R1 621 million of wbich R191 million is attributable to an increase in stocks during the year, R45 million to the inclusion of the opening stock of new subsidiaries and R1 385 million to the change in the Rand/Dollar excbange rate as applied to the opening stock.

4. **Gronp borrowings.**
In order to present a more accurate view of the group's liabilities, borrowings have been reclassified into long- and medium-term liabilities and borrowings against facilities of up to one year which continue to be reflected under current liabilities: the 1983 figures have been re-stated. Long- and medium-term liabilities increased over the year by R465 million and net current assets improved by R185 million resulting in a net appareot increase in funding of R280 million. This increase was, however, less than the increase of R349 million which would bave resulted from tbe application of the change in the Rand/Dollar exchange rate to sucb liabilities and assets brougbt forward from the previous year.

Declaration of dividend No. 130 on the deferred shares

On 12th March 1985 dividend No. 130 of 27.5 cents per sbare (1983: 27.5 cents) being the final dividend for the year ended 31st December 1984, was declared payable to the holders of *deferred shares registered in* the *books of* the Company at the close of business on 29th March 1985, and to persons presenting coupon No. 74 detached from deferred share warrants to bearer. This dividend, together with the interim dividend of 12.5 cents per share declared on 21st August 1984, makes a total of 40 cents per share for the year (1983: 40 cents). A notice regarding payment of dividends oo coupon No. 74 detacbed from share warrants to bearer, will be pnblisbed in the press by the London Secretaries of the Company on or about 22nd March 1985.

The deferred share transfer registers and registers of members will be closed from 30th Marcb 1985 to 12th April 1985, both days inclusive, and warrants will be posted from the Johannesburg aod United Kingdom transfer offices on or about 2nd May 1985. Registered sharebolders paid from the United Kingdom will receive the United Kingdom currency equivalent on 1st April 1985 of the rand value of their dividends (less appropriate taxes). Any *snch sharebolders may*, bowever, elect to be paid in South African currency, provided that tbe request is received at the Company's transfer offices in Johannesburg or the United Kingdom on or before 29th Marcb 1985.

The effective rate of non-resident shareholders' tax is 12.446 per cent.

The *dividend* is payable subject to conditions which can be inspected at the head office and London office of the Company and also at the Company's transfer offices in Jobannesburg and the United Kingdom.

For and on behalf of the board

J. OGILVIE THOMPSON
N. F. OPPENHEIMER
Directors

12th March 1985

Head Office: 36 Stockdale Street, Kimberley, South Africa.
London Secretaries: Anglo American Corporation of South Africa Limited, 40 Holborn Viaduct, London EC1P 1AJ.
Transfer Secretaries: Consolidated Share Registrars Limited, 40 Commissioner Street, Johannesburg, (P.O. Box 61051, Marshalltown, 2107)
Hill Samuel Registrars Limited, 6 Greencoat Place, London SW1P 1PL.

De Beers Consolidated Mines Limited

Incorporated in the Republic of South Africa

FT COMMERCIAL LAW REPORTS

Service of writ in Saudi Arabia allowed

ILYSSIA COMPANIA NAVIERA SA v BAMAODAH
KITION COMPANIA NAVIERA SA v BAMAODAH
LEMYTHOU COMPANIA NAVIERA SA v BAMAODAH

Court of Appeal (Lord Justice Ackner and Lord Justice May): November 9, 1984

THE COURT may grant leave to serve a writ abroad on the sole ground that the contract sued upon is governed by English law, not only where justice would be unobtainable in a foreign court or could only be obtained at excessive cost, delay or inconvenience, but also where the plaintiff, discharging a particularly heavy burden of proof, can show good reasons justifying service out of the jurisdiction.

***

The Court of Appeal so held when dismissing appeals by Mr Ahmed Abdul Qawi Bamaodah from Mr Justice Staughton's refusal to discharge orders giving leave to Ilyssia Compania Naviera SA, Kition Compania Naviera SA and Lemythou Compania Naviera SA, owners of Elli 2, Toulla and Eleni 2 respectively, to serve proceedings on him in Saudi Arabia.

Order 11 rule 1(1)(f)(iii) of the Rules of the Supreme Court (RSC) provides that leave may be granted to serve a writ out of the jurisdiction where the *contract sued upon* is governed by English law.

*

LORD JUSTICE ACKNER said that sellers in London agreed to sell cement to Mr Bamaodah in 1978 and 1979. They were closely associated with the owners of the vessels in which the cargoes were shipped, and to an extent treated the ships as their own.

They therefore did not enter into a charterparty with the owners, but appreciated that they required some provision binding Mr Bamaodah to pay demurrage if the vessels were delayed at port of discharge.

In respect of each shipment they drew up a document called a charterparty which was never signed, although in one signature box was typed "by authority of the managers... (as agents only)..." The document provided for demurrage and for arbitration in London according to the Arbitration Act 1950.

The owners of the vessels claimed close on $200,000 demurrage against Mr Bamaodah. Leave was given to serve proceedings on him in Saudi Arabia.

Mr Bamaodah applied to Mr Justice Staughton to discharge the orders granting leave. The basis of his applications was that the owners could not show a good arguable case that there was a contract between them and Mr Bamaodah; if they could, they could not show a good arguable case that the contract was one to which order 11 rule 1(1)(f) applied; and that as a matter of discretion it was not a case where service out of the jurisdiction should be allowed.

The judge found on a mixture of evidence and probability that the sellers had acted as agents of the shipowners who were therefore undisclosed principals; that the "charterparty", though not binding as such, provided a convenient container for terms which could be incorporated in a bill of lading and become binding on Mr Bamaodah; and that the inference to be drawn from the agreement to arbitrate in London according to the 1950 Act was that the parties intended that English law should govern the contract.

On December 8 1983 the judge refused the applications. He was satisfied that the owners had made out a proper case for the exercise of his discretion to permit service abroad. Mr Bamaodah appealed.

The limited grounds on which the court was entitled to interfere with the decision of a judge at first instance who had exercised his discretion were stressed in *Abidin Daver [1984] AC 398.*

Mr Gross for Mr Bamaodah complained, in essence, that the judge failed properly to apply the principles laid down in *Amin Rasheed [1984] AC 50, 68.*

There Lord Diplock said that comity dictated that the judicial discretion to grant leave under RSC Order 11 rule 1(1) should be exercised with circumspection where an alternative forum existed. It was not suggested that Mr Justice Staughton did not exercise circumspection.

Later Lord Diplock said that the exorbitance of the jurisdiction to grant leave where reliance was based exclusively on RSC Order 11 rule 1(1)(f)(iii) was a factor capable of being outweighed if the would-be plaintiff could satisfy the court that "justice could not be obtained by him in the alternative forum; or could only be obtained by him at excessive cost, delay or inconvenience."

Mr Gross submitted that Lord Diplock's statement was intended to be exhaustive, and that when reliance was based exclusively on rule 1(1)(f)(iii), it was *only* capable of being outweighed if the would-be plaintiff could satisfy the court that either justice *could* not be obtained by him in the alternative forum, or could only be obtained at excessive cost delay or inconvenience.

That was not accepted. If the speech were read in the context of the case as a whole, Lord Diplock was emphasising that where exclusive reliance was placed on rule 1(1)(f)(iii), then the burden of showing good reasons justifying service out of the jurisdiction was a particularly heavy one illustrated by the examples he gave of situations capable of tipping the balance in favour of the granting of leave.

Thus construed, as Mr Justice Staughton pointed out, there was no conflict between Lord Diplock's statement and that of Lord Wilberforce at page 72 where he stated that in order to decide whether the case was a proper one, the court must take into account the nature of the dispute, the legal and practical issues involved, local knowledge, availability of witnesses, the evidence and expense.

The judge was entitled to pay particular regard to his finding that the parties had chosen English law as the proper law, and that the likely principal issue, namely whether there was a contract by which Mr Bamaodah was liable to pay demurrage, involved the application of complex principles of English law to primary facts which were unlikely to be much in dispute.

It could not be validly contended that he gave excessive weight to those important factors. If the action were tried in England, very few witnesses would be required, since expert witnesses as to English law would have no place. On factual matters there was only likely to be one witness from Saudi Arabia.

The judge properly exercised his discretion. The appeal should be dismissed.

LORD JUSTICE MAY concurring, said that he agreed with Mr Justice Staughton's comment that none of the various dicta that one could find in the cases laying down tests to be applied were to be construed in subsequent decisions on different facts as if they had been words of a statute.

The cases did no more than indicate the approach which the courts should adopt. They drew attention to considerations which might be important in one case, but less important in the next.

The jurisdiction which English courts had assumed to entertain proceedings against defendants *outside* the jurisdiction was wider than any corresponding jurisdiction which they recognised as possessed by a foreign court in similar circumstances – particularly when it was assumed solely on the basis that the proper law of the contract was English law.

It thus conflicted with general principles of international comity and must be exercised with considerable caution.

For the shipowners: Patricia Phelan (Holman Fenwick & Willan).

For Mr Bamaodah: Peter Gross (Coward Chance).

By Rachel Davies
barrister

New York sets pace on energy futures

By John Edwards, Commodities Editor

TRADERS ON the New York Mercantile Exchange will be celebrating the second birthday this month of their crude oil futurea contract in a very bappy mood. Turnover on the market exceeded all but tha most wildly optimistic expectations in 1984, swiftly climbing to 1.8m lots (of 1,000 barrels). Even better in January this year trading surged to an astonishing total of 385,272 lots, well over three times turnover in January last year.

Perhops most important of all, the success of the crude oil contract, together witb increased trading activity on the other contracts for heoting oil and gasoline, has greatly increased the importance of the energy futures markets in the world oil industry pricing structure, giving tremendous potential for further growth.

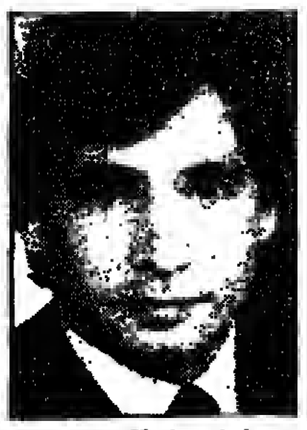
"Futures have arrived. They are now a major influence in the world oil trade," comments Mr Nigel Saperia, of Shell International product trading division. He feels the real breakthrougb came during the price upheaval in January when traders realised that the cruda oil contract in New York provided a good opportunity for securing at least some of their forward supplies at "bargain basement" levels.

However Mr Saperia acknowledges tbat tbe tide was already moving strongly in favour of tbe futures markets with the trend ln the oil industry to switch away from fixed price contract to apot and forward free market transactions. "Futures provide o real third alternative," he adds.

Mr Saperia admits that the major companies had initially not welcomed the idea of futurea markets for oil. "No one likes to see their lifeblood suddenly become like any other general commodity. But now there is no point in trying to figbt lt and miss opportunities."

For various reasons, moinly a disinclination to come under U.S. Government jurisdiction in any of its activities, Shell International is reluctant to use the New York energy futures markets. Mr Saperia would like tbe Ioternational Petroleum Exchange in London to be as successful as New York; so would many other European oil traders.

Unfortunotely for London, lts attempt to launch a crude oil contract in November 1983 collapsed ignominously only four months later in February last year, baving failed to attract aufficient aupport.



Mr Michael Marks, chairman of Nymex

Turnover on the London gas oil futurea market actually declined last year to 534,418 lots (of 100 tonnes) compared with 608,529 lots in 1983. Trading activity has picked up substantially in recent montha, and the phasing in of the FOB (free on board) delivery contract should provide a further fillip in avoiding the dellvery problems of the original contract.

Nevertheless, the failure of the crude oil contract has dealt a considerable blow to the International Petroleum Exchange, which was launcbed successfully in 1981.

Last month the Exchange confirmed that lt was planning to launcb a new price index for Brent crude that may be used os the baais for a casb settlement crude futures contract.

However, it may be a long process. One of the main problems with the original Brent crude contract, yet to be resolved, was that lt was impossible to make or take "small deliveries" of a few lots since the normal minimum size of a European cargo is some 600,000 barrels. Contrast this with the New York delivery point at Cusbing, Oklahoma, a pipeline terminal where supply can be simply turned on and off in accordance with the amount required.

Another problem is that the use of an index as a replacement for a physical commodity brings its own difficulties. Undar present UK legislation lt might be viewed as a gambling debt which could not be enforced legally.

So the IPE may bave to wait for the Britisb Government to amend the Gamiog Act before going ahead with any relaunch of the crude contract.

An encouraging aign is that some of the oil companies, who previously ignored the IPE, are now pushing hard for a London Brent crude contract to be relauncbed as soon as possible. They claim that the New York contract, based on West Texas Intermediote, provides an imperfect "hedging" medium and price lndicator, since it is primarily a domestic U.S. oil.

Mr Tony Lesser, chairman of the IPE, welcomes the increased industry support but ia rather cautious, pointing out that formulating a Brent crude contract is "fraugbt with difficulties."

"We can't afford to take any chances this time," Mr Lesser said. "We cbanced our arm witb the first contract and it was a gamble that failed. We must get it right this time."

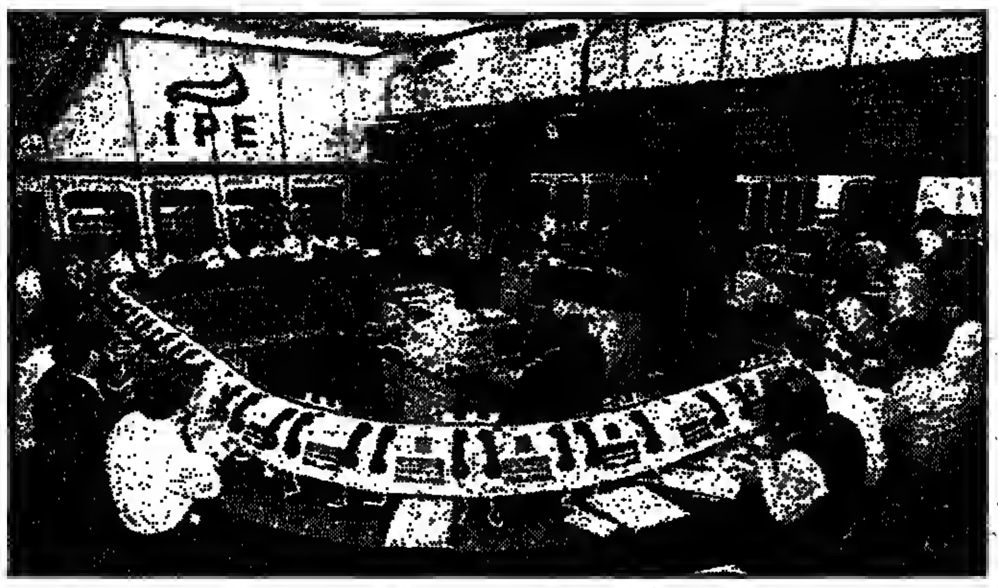
Even though there is growing support in the oil industry for futures trading generally, and the expansion of an international bedging and pricing medium, London faces an uphlll hattle to compete with the New York Mercantile Exchange.

In the futures markets a prime attraction for users is sizable liquidity, allowing traders to deal in large quantities, quickly and easily, without distorting pricea. The more liquidity, the more the market is favoured and used. As o result the exchange thot establishes itself successfully first tends to attract, and retain, the llon'a share of the business.

Nymex has not only estoblished itself successfully. It also has a pool of professional "local" speculotors on its trading floor wbo help provide extra liquidity even during dull periods.

London simply does not have enough privote individuals with sufficlent risk capital behind them to provide the "local" traders, wbo are the key to the success of the U.S. fotures markets. Nymex is unusual among U.S. futures exchanges in that trade participation accounts for a mucb bigher proportion—nearly 70 per cent—of total turnover than, say, the grain markets. However even on Nymex "locals" provide up to 50 per cent of the day-to-day trading volume and are easily able to absorb large orders from the industry.

Mr Michael Marks, chairman of Nymex, wbo bas played a vital part in building up the exchange from nothing, is a explain why lt has been so "local" trader and this may succesaful.



London's International Petroleum Exchange: a crude oil contract failure

Originally a trader in potato futures—the main contract on Nymex in the past—Mr Marks atood for election as vice-chairman wben the Exchange was faced with closure after the notorious default on the potato contract in 1976. He became "acting" chairman unexpectedly wben the chairman bad a heart attack. He belped the Exchange survive through the crisis years when it was fined $200,000 by the Commodities Futures Trading Commission and was almost taken over by Comex, the neighbouring metal exchange in the New York futures complex housed in the World Trade Centre.

Mr Marks decided that the beating oil contract, introduced on the Exchange in 1978, bad good potential althougb turnover at that time was very low.

"The brokerage bouses on Wall Street wouldn't go near Nymex because of its bad reputation," says Mr Marks, "So we bad to appeal directly to the oil industry for support."

Mr Marks believes that it is tbese long-establisbed links that provida the basic strength for Nymex and enabled the Exchange to figbt off challenges from the powerful Chicago fntures exchanges — first the Board of Trade; then the Chicago Mercantile Exchange. They bave both now withdrawn their energy futures contracts and left Nymex supreme.

Nymex has always maintained friendly relations with the IPE and Mr Marks is sympathetic about London'a problems. "I'm not sure I could do any better in London than the IPE," he says. "New York bas the advantage of a mnch bigger pool of speculators to provide liquidity and a far larger number of players in WTI compared with tha limited number producing and using Brent supplies."

At the early age of 35 Mr Marks jokes that be is too old to trade now and ready for the rocking chair. However be wants to use, probably, his last two years as chairman of Nymex to develop its potential as a world market.

"We've barely scratched the surface yet," he says. "Look at tha size of the oil industry compared with other major commodities."

Mr Marks sees the expansion in energy futures trading as just a small part of the overall structural change in the oil industry that has been taking place since the 1973 Opec crisis.

He forecasts that eventually the oil-producing countries will find Nymex a useful vehicle for "moving more barrels." In the meantime all but two of the six "major" oil companies are trading on Nymex in one way or another, and the price movements are watched closely by everyone in the industry.

As with other markets, the day-to-day publication of prices decided in open trading on a futures exchange has an important influence on the physical trade, especially when there is considerable confusion about the real level of prices.

Mr Marks says that in recent months ba has detected more business coming to Nymex from Europe, attracted by the liqnidity and the changing differentials between the Brent and WTI prices.

According to Mr Marks the breakthrough for the Nymex beating oil contract came when the differentials between the free market and tha posted producer prices widened to such an extent that traders were provided with the opportunity of undercutting the major producers and making good profits by "fixing" a frea market price of Nymex.

Once a few traders started to take advantaga of the opportunity provided by Nymex, others quickly followed and the "majors" suddenly found the bulk of their beating oil customers had deserted them.

He believes the same situation is responsible for boosting activity in the crude futures contract so spectacularly during the past two years.

APPOINTMENTS

PO parcels chief

Mr Keith Webb, currently director of London mails operations, moves to POST OFFICE headquarters to be national director of parcels operations. He is succeeded by Mr Pat Nield, currently acting director parcels at beadquarters.

★

FAIRVIEW ESTATES has made two appointments to the board of its main subsidiary, Fairview Estates (Investments). Mr Eric G. O. Roseman bas been appointed director responsible for the management of the investment portfolio; and Mr Paul C. Shepherd has been appointed a director in the development sphere.

★

Mr J. A. D. Watters has become a partner in STEPHENSON HARWOOD.

★

TRAFALGAR DAVY OFFSHORE has appointed Mr J. W. Barrack as business development manager. He was previously with McDermott Engineering London. TDO is a new joint venture company which brings together the Trafalgar House Group and Davy Corporation to offer a procurement and conatruction package to the offshore industry.

★

LESSER BUILDING SYSTEMS has appointed Mr Victor Bragg as sales and marketing director.

★

PLATFORM ACCESS FLOORING has appointed Mr Andrew Harvey to its board. He was managing director of A.R.I. Propaflor until 1984

★

Mr John Kitching, a main board director and managing director of Parker Knoll Textiles, bas been appointed deputy chairman of PARKER KNOLL.

★

Mr John Newton has joined the board of KINGSWAY PUBLIC RELATIONS as director of tha newly-formed financial division. Clients of the oew unit include Alexander and Alexander Inc, where Mr Newton was previously director of public affairs for UK and Europe. Ms Jane Howard, formerly an associate director, has also joined the main board of Kingsway.

★

Mr P. J. Sherman, currently deputy general manager, Royal Insurance (UK), is appointed general manager, ROYAL REINSURANCE COMPANY, from July 1. Mr Sherman is taking over from Mr R. A. Isaac, currently general manager, Royal Reinsurance Company, who retires on June 30.

★

ERICSSON INFORMATION SYSTEMS has appointed Mr John Newcombe to the newly-created position of director of indirect sales.

★

Mr Eric Noble has become a member of the board and also company secretary of WILTSHIRE SOUTHERN, the Winchester based construction company in the John E. Wiltshiro Group.

★

DCC, the Milton Keynes-based digital comunications equipment company, bas appointed Robert French as director of finance and company secretary.

★

BORDER TELEVISION has appointed Mr Tim Glover to its board. He becomes sales and marketing director, based at Border'a London office. At 34, he is the youngest sales director on tha ITV network. He joined Border seven years ago from Anglio Television.

★

Mr Robert Winder has been appointed financial controller of ABERCROMBIE & KENT. He joins after five years at Cox & Kings, the last two as chief executive.

★

Mr Peter Hunt bas bean appointed an associate sales director with MASSTOR SYSTEMS. He comes from Computer Financing which he founded in 1977. Mr Bruce Clark joins as an associate sales director from Tesdata.

★

Mr Garry Muter bas joined the board of MAYHEW FOODS as a non-executive director.

★

Mr Frank Woodhead has been appointed marketing manager of PLANT SAFETY, a company jointly owned by Commercial Union Assurance, and General Accident Fire & Life Assurance Corp. Mr Woodhead was director of sales and marketing with a subsidiary company of the Fairey Holdings Group, encineering sector of Pearson.

★

SALLY LINE has appointed as acting chief executive Mr Bertil Hansen, operations director of Rederiaktiebolaget Sally in Finland. He has been a director of Sally Line since 1982. This appointment follows the resignation of Sally chief executive Mr Rod Hoare, who is returning to the civil aviation sector. Mr Hansen will be based in Ramsgate on secondment from Sally's parent company in Finland. Sally has also appointed Mr Paul Sampson, formerly assistant marketing manager for P & O Ferries, as sales manager—Europe; and Mr Chris Weeks, another former P & O Ferries executive, as group sales manager.

★

Following the acquisition by LYNDOE (HOLDINGS) of Taylor'a (Old Bailay) Office Supplies Co., and Bradbury's (Old Bailey) Printing and Design Co., Miss B. Taylor and Mrs J. Lyndoe will become joint sales directors of these companies within tha Lyndoe (Holdings) framework.

★

Mr Victor Bruce bas been appointed a non-executive director of BRADBURY WILKINSON. Mr Bruce was Governor of the Central Bank of Trinidad and Tobago from 1969 until 1984.

هكذا من الأصل

BASE LENDING RATES

A.B.N. Bank	14 %
Allied Irish Bank	14 %
Henry Ansbacher	14 %
Amro Bank	14 %
Associates Cap. Corp.	14 %
Banco de Bilbao	14 %
Bank Hapoalim	14 %
BCCI	14 %
Bank of Ireland	14 %
Bank of Cyprus	14 %
Bank of India	14 %
Bank of Scotland	14 %
Banque Belge Ltd.	14 %
Barclays Bank	14 %
Beneficial Trust Ltd.	15 %
Brit. Bank of Mid. East	14 %
■ Brown Shipley	14 %
CL Bank Nederland	14 %
Canada Perm'nt Trust	14 %
Cayzer Ltd.	14 %
Cedar Holdings	14 %
■ Charterhouse Japhet	14 %
Choulartons**	14 %
Citibank NA	¶12¾%
Citibank Savings	14 %
Clydesdale Bank	14½%
C. E. Coates & Co. Ltd.	14 %
Comm. Bk. N. East	14 %
Consolidated Credits	*14 %
Co-operative Bank	14 %
The Cyprus Popular Bk.	14 %
Dunbar & Co. Ltd.	14 %
Duncan Lawrie	14½%
E. T. Trust	14½%
Exeter Trust Ltd.	15½%
First Nat. Fin. Corp.	14½%
First Nat. Secs. Ltd.	14 %
■ Robert Fleming & Co.	14½%
Robert Fraser & Ptns.	‡14 %
Grindlays Bank	14 %
■ Guinness Mahon	14 %
■ Hambros Bank	14 %
Heritable & Gen. Trust	14 ¤
■ Hill Samuel	§14 %
C. Hoare & Co.	†14 %
Hong Kong & Shanghai	14 %
Johnson Matthey Bkrs.	14 %
Knowsley & Co. Ltd.	14½%
Lloyds Bank	14 %
Edward Manson & Co.	15 %
Meghraj & Sons Ltd.	14 %
Midland Bank	14 %
■ Morgan Grenfell	14 %
Mount Credit Corp. Ltd.	14 %
National Bk. of Kuwait	14 %
National Girobank	14 %
National Westminster	14 %
Northern Bank Ltd.	14 %
Norwich Gen. Trust	14 %
People's Tst. & Sv. Ltd.	15 %
Provincial Trust Ltd.	15 %
R. Raphael & Sons	14 %
P. S. Refson	14 %
Roxburghe Guarantee	14½%
Royal Bank of Scotland	14 %
Royal Trust Co. Canada	14 %
■ J. Henry Schroder Wagg	14 %
Standard Chartered	‖14 %
Trade Dev. Bank	14 %
TCB	14 %
Trustee Savings Bank	14 %
United Bank of Kuwait	14 %
United Mizrahi Bank	14 %
Westpac Banking Corp.	14 %
Whiteaway Laidlaw	14½%
Williams & Glyn's	14 %
Wintrust Secs. Ltd.	14 %
Yorkshire Bank	14 %

■ Members of the Accepting Houses Committee.
* 7-day deposits 11%, 1 month 11.75%. Fixed rate 12 months £2,500 11.75%. £10,000 12 months 12.00%.
† 7-day deposits on sums of under £10,000 11%, £10,000 up to £50,000 12¼%, £50,000 and over 12½%.
‡ Call deposits £1,000 and over 11%.
‖ 21-day deposits over £1,000 12½%.
¶ Mortgage base rate.
§ Demand deposits 11%.
** See Provincial Trust Ltd.

WORLD DRUGS INDUSTRY

British groups find places in the pharmaceutical league

BY CARLA RAPOPORT

THREE BRITISH companies are among the 15 most profitable drug companies, making up the largest non-U.S. contingent on the list.

The lists, extracted from Scrip's Pharmaceutical League Tables, 1983-84, rank the companies, in this instance, on return on capital employed, including only those companies with sales over $250m a year.

Ten U.S. companies dominate the list, headed by SmithKline, which is still reaping the benefits of its best-selling ulcer drug, Tagamet. Of the three British companies, ICI ranks highest, in the fourth position, largely through the success of its heart drugs in the U.S.

In research spending, the the list is much more international. West Germany has the most entrants with three companies, headed by B. Ingelheim, which devotes 18 per cent of its sales to research. Sweden, France, Switzerland, Italy and the U.S. all have two companies on the list, with one each from Japan and Britain.

In the ranking of drug companies by sales, the U.S., West Germany and Switzerland take up all the places but one: Takeda Chemical of Japan is at 15th place. The top 7 companies are unchanged from the previous year.

Abbott of the U.S. staged the largest increase in the year, gaining four places to rank eighth. Hoffman-La Roche and Sandoz, both of Switzerland, showed the most slippage. Roche's sales have been hit by the maturity of its product portfolio in recent years.

* *Scrip's League Tables, 1983-84, Scrip Bookshop 18-20 Hil Rise Richmond, Surey, TW 10 6UA. £120.00 ($200).*

Leading drug companies ranked by

SALES

Ranking 1983-84	Ranking 1982-83	Company	Pharmaceutical sales $bn	Change %	Of total sales %
1	1	Hoechst (W.G.)	2.5	−3	17
3	3	Bayer (W.G.)	2.4	−1	71
3	3	Merck & Co (U.S.)	2.4	+9	75
4	4	America Home Products (U.S.)	2.3	+9	48
5	5	Ciba-Geigy (Switz.)	2.1	+3	30
6	6	Pfizer (U.S.)	1.9	+10	50
7	7	Eli Lilly (U.S.)	1.6	+7	54
8	12	Abbot (U.S.)	1.6	+9	55
9	10	Bristol-Myers (U.S.)	1.5	+11	38
10	8	Hoffmann-La Roche (Switz.)	1.5	−1	42
11	11	SmithKline (U.S.)	1.5	+9	52
12	9	Sandoz (Switz.)	1.5	+2	46
13	14	Warner-Lambert (U.S.)	1.4	+9	45
14	16	Upjohn (U.S.)	1.3	+9	67
15	13	Takeda (Japan)	1.3	+0.5	58

* Only companies with sales over $250m.

PROFITABILITY

Company	Profit 1983-84 $m	Sales $m	Profit margin %	Country
1 SmithKline	662	2,000	33	U.S.
3 Eli Lilly	657	2,000	33	U.S.
3 Syntex	204	624	33	U.S.
4 ICI	302	967	31	UK
5 American Home Products	719	2,300	31	U.S.
6 Pfizer	709	2,300	30	U.S.
7 Johnson & Johnson	346	1,200	29	U.S.
8 Reckitt & Colman	31	156	26	UK
9 Merck	668	2,600	25	U.S.
10 Abbott	382	1,600	24	U.S.
11 Beecham	197	839	24	UK
12 Warner-Lambert	328	1,400	33	U.S.
13 Pharmacia	67	303	22	Sweden
14 Bristol-Myers	319	1,500	21	U.S.

RESEARCH SPENDING*

	Spending	R & D as % of sales	Country
1. B. Ingelheim	223	18	W. Germany
2. Astra	77	16.5	Sweden
3. Schering	109	15	W. Germany
4. Johnson & Johnson	175	15	U.S.
5. Rhone-Poulenc	125	14	France
6. Farmitalia	49	14	Switzerland
7. Hoffmann-La Roche	474	13	Italy
8. Sandoz	189	13	U.S.
9. Erbamont	48	13	Italy
10. Syntex	117	13	U.S.
11. Pharmacia	39	13	Sweden
12. Sanofi	88	13	France
13. BASF	36	13	W. Germany
14. Yoshitomi	32	12	Japan
15. ICI	110	13	UK

Source all tables: Scrip

TECHNOLOGY

EDITED BY ALAN CANE

AS A PRELUDE TO 'THE STAR WARS' PROJECT THE U.S. BUILDS A POWERFUL LASER

Light beams up bolt of energy

BY DAVID FISHLOCK, SCIENCE EDITOR

THE WORLD'S biggest laser—so far as is known to Western science—will soon come into operatioo io the hills of north California oear San Francisco. Nova, the latest in a family of giant lasers begun io 1974, is designed to deliver 100-150 terawatts of power to a target in a split secood—100 picoseconds, to be more precise.

A terawatt is one trillion watts, or the output of 1,000 power stations. But a picosecood is correspoodingly brief—only one trillionth of a second.

Nevertheless, a bolt of energy of this order will exert some powerful forces upon a target the size of a pinhead. Nova, the inveotion of the Lawrence Livermore National Laboratory, bas a dual purpose, civil and military, as an experimeotal facility.

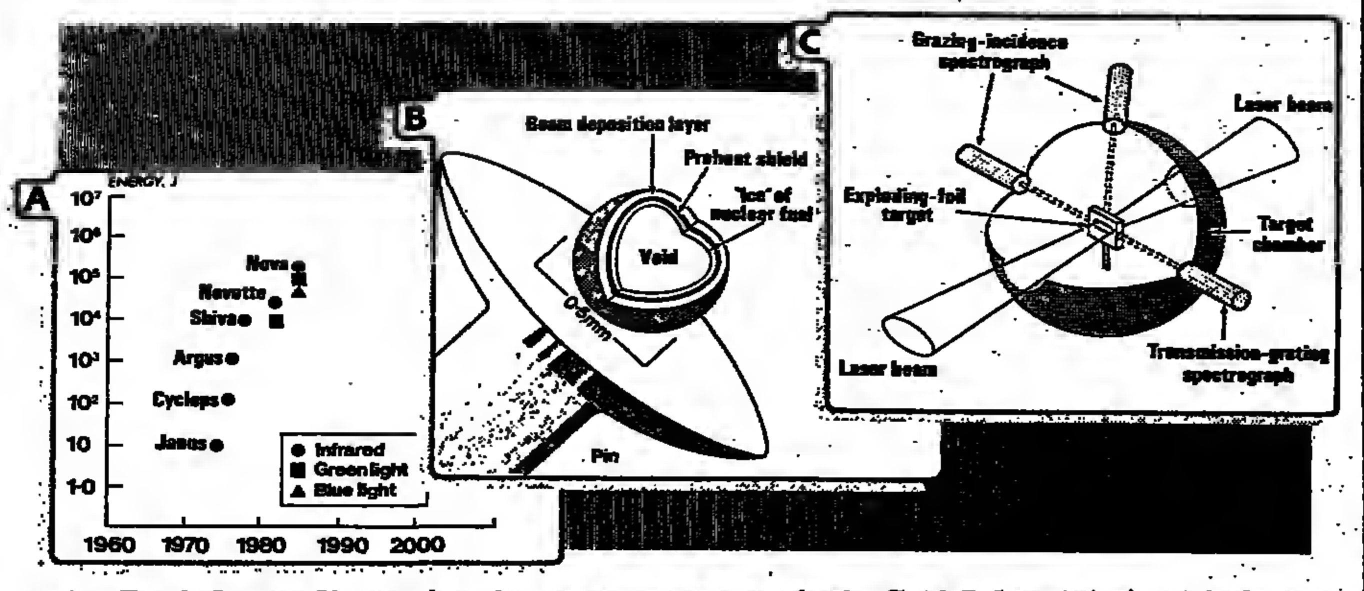
It is exploring the physical conditions—temperature, pressure and time—needed to sustain thermoouclear fusion, the nuclear reactions which keep the aun burning. Its experiments auggest ways of confining nuclear fuel under the rigbt conditions for such reactions. The technology Is called inertial confinement fusioo (ICF), as distinct from using magnetic coofinemeot, used in such experimeots as the Joint European Torus (JET) at Culham. Nova will simulate thermonuclear explosions on a laboratory scale.

Electric power from such a scheme is likely to be several decades away, but realistic simulations of ouclear explosions could come much sooner, reducing the oeed for undergrouod tests ocsting at least £1m a time.

As a U.S. Department of Energy laboratory run by the Uolversity of California, Lawrence Livermore pursues the physics of ICF for both military and civil ends. One day they expect to have to separate the programmes completely, but not for another 10-15 years, ooe physicist forecasts.

That day will come wben, as he puts it, "the nuclear fire catches." Teo years of steadily increasing laser power has allowed these physicists to compress a microscopic amount of nuclear fuel "from the density of a snowball to the density of lead."

That's roughly a difference of 100 in density. Bnt Nova's laser thunderbolts are expected to crush it to ten times the density of lead.



Sketch A: How the Lawrence Livermore lasers have grown in power over a decade. Sketch B: Laser fusion target, imploded by laser beams to generate a miniature nuclear explosion. Sketch C: Exploding foil target designed by Lawrence Livermore to release a beam of X-rays, demonstrating an X-ray laser

The source of the laaer beam ia a plece of optical eogineering called the master oscillator driving a single-pass power amplifier (MOPA). This is a neodymium-glass laser module from which the laboratory bas assembled a laser family successively named Janus, Argus, Cyclops, Shlva and now Nova. Nova has a beam 74 cm (30 inches) across.

In fact, Nova bas 10 such beams, which can be brought to bear simultaneously on its target. Tbe result will be an implosion of great violence, albeit of microscopic scale, at the beart of a huge spherical vacuum chamber nearly 5 metres in diameter—the target chamber.

Nova occupies three cathedral-size balls, gleaming white, with one for the lofty banks of MOPAs, generating laser beams 150m in length. Another hall is oeeded for the optical systems which turn the beams so that they are brought to beer from all angles round the target chamber. The third is the experimental ball housing the target chamber.

The concept of Nova — a $176m facility funded by the U.S. Department of Energy, which took over seven years to assemble — has been tested over the past two years with a system called Novette. This was based on two of Nova's 10 beams. Each of Novette'a heams had as much energy as 20 beams of the earlier Shiva facility (see Sketch A), dismantled in 1981 to make way for Nova.

Novette has confirmed a prediction of the theoretical physicists, that shorter wavelengths than the red beams of Shiva will couple their energy more efficiently into the target. The fundamental infrared laser wavelength of 1.05 micrometres can be harmonically converted to green (0.53), blue (0.35) or ultraviolet (0.26) light.

The kind of target used for laser imploslons is shown in Sketch B. It consists of a hollow capsule as small as 0.1 mm in diameter, carried on the head of a pin. The capsulé is precision-engineered both to contain fuel, and to capture laser energy efficiently. The smaller wavelengths generate a dense plasma where the beam strikes the target, inter-acting strongly to provide the energy coupling.

The experimenters averaged two or three target shots daily, demonstrating that the Nova amplifier-chain architecture will run smoothly as designed, they aay. It has given them confideoce that their $176m facility will meet its projected energy and power goals. Last autumn, Novette's two tested lasers were dismantled and reassembled in Nova's laser hall.

But Novette also performed another important experiment before it was dismantled, as a precursor to what can be expected of Nova. It demonstrated a way of generating a laser beam of still shorter wavelength, far beyond the ultraviolet; short enough, in fact, for the laboratory to claim an X-ray laser.

The X-ray laser has been the quest of physicists since the first laser, 25 years ago. The fascination lies in the penetrating power of its extremely short wavelength, and the resolution it could hring to crystallography, for instance. Scientifically, the X-ray laser has proved a very difficult target but its potential value as a long-range beam weapon has given laboratories like Lawrence Livermore a special incentive.

In 1982 and 1983 the laboratory performed experiments using an underground nuclear explosion to pump a laser, and said it had detected coherent X-rays. This claim gave rise to great speculation about beam-generating nuclear weapons for the Strategic Defence Initiative (Star Wars). But the Excaliber series of nuclear experiments are highly classified and have never been reported in the scientific press.

But in 1983 the laboratory planned a series of unclassified experimeots to demonstrate the X-ray laser, using Novette. They were complicated experiments, initially unsuccessful; admits Dr Roger Batzel, the director.

Last October, a team of 40 led by Dr Dennis Matthews finally claimed success, using the epparatus shown in Sketch C. The twin beams of Novette impinge simultaneously on each side of the target, which explodes tn generate a beam characterised as "soft" X-days.

With the higher power of the Nova facility, they believe they will have no difficulty in generating coherent X-rays of sharter wavelength.

All ten beams of Nova will not be ready until the summer of 1986. But the first experiments with Nova, this summer, will repeat those with Novette, still using two beams but with an enhanced laser system that is expected to yield a coherent X-ray signal 1,000 times stronger.

MEDICINE

Speedier diagnosis

A BRITISH invention now on trial at London'a Charing Cross Hospital could revolutionise the reading of cervical smears and help doctors to diagnose cancec at an early, treatable stage.

The valne of screening for cervical cancer is well established. A scraping is taken from the neck of the womb and a sample of cells obtained for examination under a microscope. Traditionally these tests are read by a technician — a tiring and tedious task as only about one slide in 20 is abnormal and mnch fewer will heve evidence of cancer.

The "Cytoscan" is the result of 20 years' co-operation between doctors, scientists and computer technologists. It reads a smear every two minutes and excludes normal cells and artefacts. From the 50,000 cells scanned the system remembers the position of any abnormal cells so that these can be shown to the technician.

Most neoplastic (cancerous cells have more DNA (genetic material) than normal cells and are, therefore, denser. The microscope scans for cells of high optical density and secondary classification tests built into the software help exclude artefacts.

Dr Nasseem Husain is leading the clinical trial and he admits that it appears that the present machine is producing too many false positiva signals. He believes that the pattern recognition process needs to be more sophisticated.

The Charing Cross team have ingeniously overcome the formidable problems of smear preparation. Since the machine Is looking for areas of increased density it was vital to ensure that no two cells overlapped.

A single cell layer is achieved by sqoeezing the cells through a hypodermic needle on to a apecially coated microscope slide. The narrow opening separates the cell clusters and the cells, which have a negative surface charge, are attracted to the positively charged surface of the slide.

Dr Husain, who is also Chairman of the Women's National Cancer Control Campaign, believes that all women should be tested at least every five years from the age of 20. The Cytoscan would allow laboratories to cope with this demand.

He highlighted another benefit. "We hope to get a heavy load of boring screening off the backs of technicians. The machine will release them to devote more time to fine needle aspirations and brush samples from lung, stomach and other tumours. These new techniques are an important diagnostic development which are less invasive for the patient and save the NHS money."

The Medical Research Council purchased the Charing Cross machine for about £65,000. The Nikon inverted microscope has been adapted with a scanning stage by Dr Jim Tucker et the Pattern Recognition Centre of the Edinburgh Clinical and Population Cytogenetics Unit. Plessey Miproc and Eltec 6809 computers handle image analysis.

"Cytoscan" is heing developed commercially by Shandon Southern Products within the Life Sciences Division of Phicom PLC. The machine has attracted considerable interest from the DHSS and private laboratories in this country and the U.S.

Dr Allan Wilson, General Manager of Shandon's Image Analysis Division explained "The machine is unique. There is no competition at all to our knowledge. We are developing an automatic single layer machine and we intend to place our first cytology machines with customers in 1986."

ASSEMBLY TECHNIQUES

Component mounts

SURFACE-MOUNTED electronic components, which have no legs or leads but are mounted directly on to printed circuit boards (PCB), can be placed accurately and soldered by the Farco F120FP machine from Dage Intersem of Aylesbury.

Components for assembly are placed in a workholder from where they are taken to the PCB by a pick and place arm. The user programs the exact placement locations by manually moving the loaded arm until positioning matches the solder pads on the board.

The F120 operates at 120 integrated circuits an hour, soldering them on to the PCB by means of a rectangular thermal element which contacts the connections and bonds them all into place simultaneously.

Communications

Networks in transport

LONDON TRANSPORT'S Signal and Electrical Engineer's Department is now using a Nestar Plan 4000 network to link up eight Apple and three IBM personal computers. The system is used to deal with departmental budgets totalling over £100m, a complex task involving a large number of variables.

Plan 4000 is an alternative to minicomputers and mainframes, uses a 137 megabyte hard disc and offers users the ability to work at terminals as if they were stand alone personal computers. It uses the Arcnet token passing local area network technology and can accommodate both Apple and IBM PCs.

Users can share the database and in addition expensive peripherals like printers, modems and gateways to mainframes can be shared by all the users.

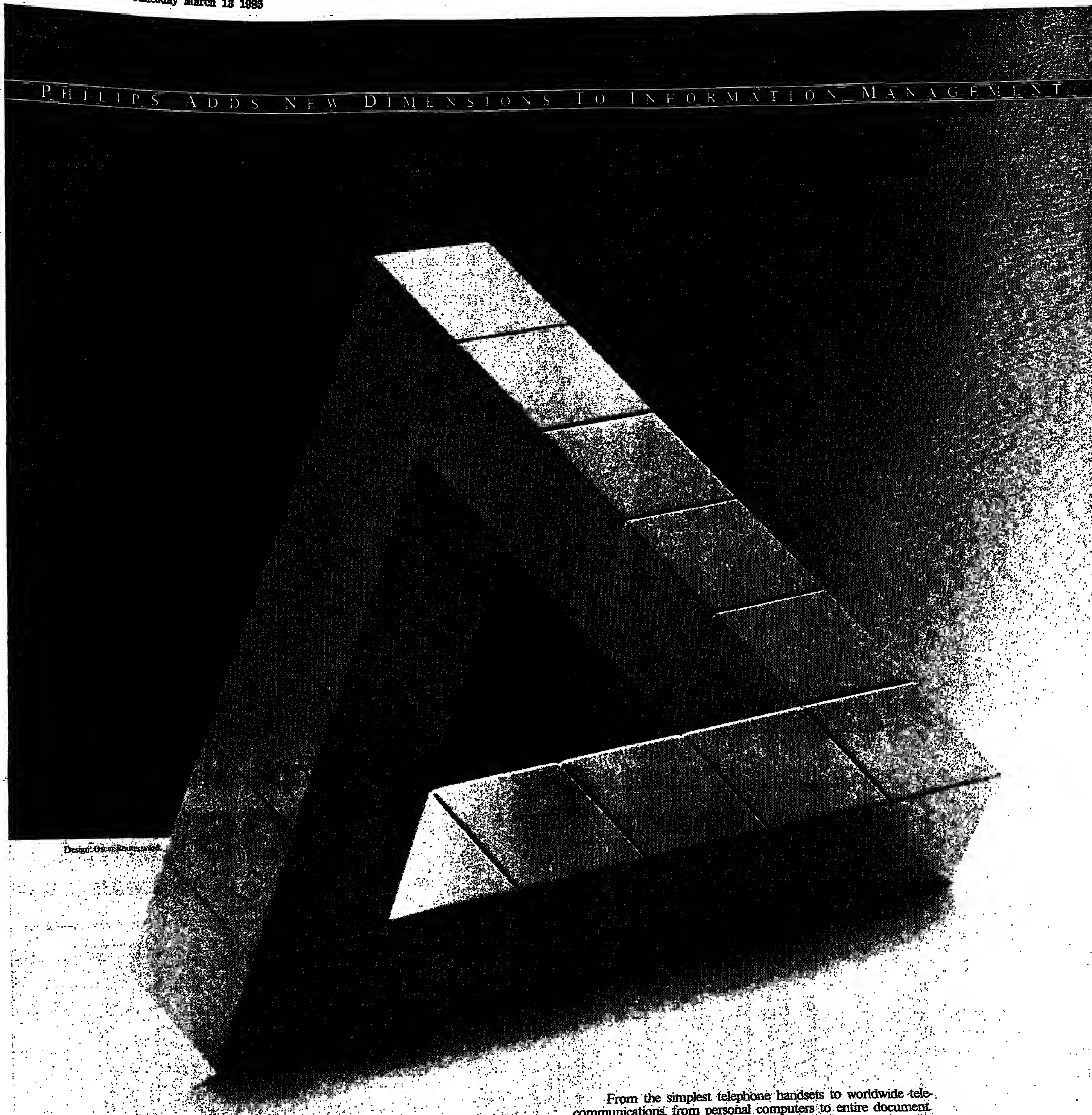
Computing

Printer adaptor

MICROSOFT has developed a device that allows all Macintosh applications to use a range of IBM compatible printers. Called the MacEnhancer, its main purpose is to allow user to connect other printers besides the Apple Imagewriter.

The MacEnhancer is a piece of hardware which has four ports. This allows a total of five different peripheral devices to be connected including letter quality printers, dot matrix printers, modems and other devices which has RS232 serial, parallel and RS422 serial communications.

The system also has software which allows the Macintosh to emulate the popular VT52 and VT100 terminals so that more than one of these micros can share information.


PHILIPS ADDS NEW DIMENSIONS TO INFORMATION MANAGEMENT

THE MANAGEMENT PAGE

Riyadh Zoo

Analysis of a problem contract

Joan Gray traces the background to a UK coutractor's withdrawal from Saud' Arabia

A DECISION by Henry Boot and W S Try to put their joint venture company in Saudi Arabia, Intry, into receivership recently, highlights ehanges in a market which was once a honeypot for British construction companies.

Intry ran into specifie contractual problems with a £25m project it was set up to carry out—building a new zoo in Riyadh.

But the issues for construction companies generally are much wider. Frank Lampl, chief executive of Bovis International, explains: "There is a general reduction in funding available, and the infrastructure is basically complete. So there is no burning need in the country for a vast amount of construction to take place in the near future. As a result, our growth has halted."

Bovis has worked—"happily"—on projects totalling more than £600m in Saudi Arabia over the last six years, and is still working on a $450m project to build an international Olympic stadium in Riyadh.

This is due to be finished next year—and then, Lampi predicts, the drop in funding available for construction means that the volume of Bovis' work in Saudi Arabia will fall to "no more than £20m to £30m a year."

The twin secrets of success in Saudi Arabia, he says, are "finding the right partners" and not being "so hungry for work that you go in, full of enthusiasm, to secure a project at all costs."

But as well as being pressed to keep contract priceo as low as possible, British eontractors are also finding increased competition from local Saudi Arabian companies as the indigenous construction Industry develops. They find that they have to develop skills in working with local contractors and consultants.

Henry Boot is a 99-year-old Yorkshire-based railway engineering and construction company with a *turnover of £122m* a year. It is still more than half owned by the Boot family and headed by Hamer Boot, a descendant of the founding Boot whose portrait looks severely down from the company's walls.

Henry Boot had a long tradition of overseas work in Flanders, France, Spain and Greece after the First World War, but largely withdrew from international contracting after the second, turning its attentions instead to developing its railway engineering business and to civil engineering in the UK.

Now the company is building up its overseas work in the Far East, where its railway engineering skills bave belped it win major contracts for the Hong Kong and Singapore Mass Transit Railways.

But *in* 1982, Boot was approached by W. S. Try, a smaller privately owned contractor based in Uxbridge, Middlesex, which had just won a £25m contract to build a new zoo in Riyadh. W. S. Try wanted Henry Boot, with its civil engineering skills, to join it in carrying out the project.

Although Boot now emphasises that it is not just a "major mover of foreign earth" and prefers contracts where more specialist skills are needed, it was then interested in expanding in the Middle East. So the two companies set up a jointly owned company Intry, to build the zoo, and planned to start work in October 1982.

Designed to cover a site of 29.6 acres—an area similar in size to London Zoo — and to include some 65 different buildings to house more than 600 different types of animals, reptiles and birds, the zoo was the largest contract either company had ever won in Saudi Arabia.

But any delight at being involved in such a prestigious project soon began to fade as Intry ran into a saga of circumstances of the type which make contractors vow to write a novel when they retire.

The problems started with the animals.

Intry's contract involved first demolishing the old zoo on the site before rebuilding the new. Bot when the contractors arrived to start work, not only were the old zoo'o staff still there but so were the animals in their cages. So the first months of the contract were lost while the contractors waited for the zoo director to dispose of his stock before they could start work.

Then, the next stage should have been to remove the trees so that the site could be relandscaped. But the client—the Municipality of Riyadh — decided the trees must remain and the site should be recontoured around them.

"It was not an impossibla task, but it did make it more difficult," says Michael Rush, a director of W. S. Try and Intry.

Then, Intry ran into more problems when it came to start building the underground reservoir to supply water to the zoo. "We had only been going for a couple of months on that when we were told the water supply for the zoo would have to be changed," says Rush. "Instead of just one supply of water there were now to be two supplies, one of drinking water and one of brackish water for irrigation and filling the moats around the cages, and so on."

Then, the contractor was told that a water purification plant was also to be added, to avoid the danger of the animals drinking tha impure water from the moats around their cages.

"And then, 15 months after we had started the job, the two-supply plan was countermanded and we were told there was only going to be ona watar supply after all," says Rush.

The contractor was also asked to make ehanges to the electricity supply, and to demolish and rebuild the buildings which formed the main entranee to the zoo, even though the original plan had specified that these were to be retained.

The delays caused by the constant changes demanded by the client were compounded by Intry's difficulty in working with the local Sandi-owned company, Beeah, appointed to supervise the project. For, even when the client had given the go-ahead,

Glyn Genin

Henry Boot and W. S. Try formed a company to build the new Riyadh Zoo. But the problems began with the animals. . . .

further delays were caused by Beeah's inability "to say yea or nay in any reasonable time."

Beeah, says Rush, "adopted procedures for the approval of design matters which were unrealistic. They were not an international firm so they had not experienced this size of project before. It was originally a two year project and if during its life it takes several weeks to approve every one of the many detailed drawings it gets unrealistic."

The contract was originally planned to last from October 1982 to October 1984 and to eost £25m (125m riyals). As a result of the delays and problems, Intry was awarded a five month extension, until March this year, to eomplete the zoo, bringing the total contract value np to £27.5m (137.5m riyals).

But it became increasingly apparent that it would be impossible even to meet the March deadline, Rush says.

"Wa asked to be allowed to proceed without Beeah and to be paid for disruption and the delays they hsd caused," be continues, "but that was not allowed."

"And the final straw came when we were told definitely that there was to be no further extension of time because of the disruption. We believed it was impossible to eomplete the project within time, and in Saudi Arabia if a contract goes over time, payment for any work after the end of the contract period may be withheld."

So Henry Boot and W. S. Try decided to cut their losses. They flew the 16 expatriates involved in the work bome and put Intry into receivership.

There are two sides of course. Just as Intry complains about Beeah, so other companies involved in the project are reported as pointing ont that Intry "never set np a working relationship with the client, so everything they put in for approval was delayed"; and that while "most of Intry's work was of a very high standard, the company's management had little understanding of the local mentality and the need to chase things up."

So Intry carried out the work *but failed to fit* in with the local working culture—a charge which Rush fully admits.

"I absolutely agree that we didn't understand the local mentality," he says. "We just felt that the local consultants wanted to pnt every obstacle in our way."

Now, while the *main* contractor, the Saudi Industrial and Commercial Project Co (Sipco) is finishing the zoo—where the landscaping and irrigation work is still to be done—and aims to complete it on schedule this month, Boot and Try are assessing the damage.

Although estimating that Intry had completed 90 per cent of the work, "you cannot assume we had 90 per cent of payment," says Rush. Intry has only been paid for work done up until October 1984, and complains not only about lateness in receiving payment but also that the amount of work done was undervalued.

But here again there are two sides to the story. For those British contractors who complain about delays in payment on contracts in Saudi Arabia, Don Holland, chairman of Balfour Beatty, another UK contractor points out: "The Saudis say that this is because Western eompanies, are not carrying out the documentation properly."

W. S. Try is making no comment on the size of its loss, although the company emphasises firmly that it will not *affect its* operations *in the* UK, which currently have a turnover of £40m a year.

Henry Boot's comment is that it puts earlier expectations of improved profits for 1984 in doubt—although an analyst's estimate of a £3m to £4m loss as a result of the failure of Intry was described as far too high.

Neither company has any more work in progress in Saudi Arabia at the moment. Although the loss of Intry is a blow to Boot, the company has for some time been shifting its attention to the Far East and to contracts requiring more sophisticated skills, particularly in railway track laying.

Henry Boot International's turnover has risen from £5.3m in 1981—5 per cent of the Henry Boot group's £97.5m turnover—to £17.9m in 1983, 15 per cent of the group's £122.2m turnover.

The rise has been largely on the strength of a series of tracklaying contracts for the Hong Kong Mass Transit railway, totalling £36m and where work is still in progress. Henry Boot has also just won a £110m contract to supply track for the Singapore Metro, in partnership with Gammon of Hong Kong and Singa of Singapore, as well as establishing a subsidiary to operate in Malaysia.

BUSINESS PROBLEMS BY OUR LEGAL STAFF

Long service rewards

I am retiring from a small engineering company employing six staff. The business has been bought as a going concern, and the new owner wishes to retain the staff — therefore they do not qualify for redundancy payment. I wish to make a lump sum cash payment to each after years of loyal service—please therefore advise me: will this lump sum bo subject to tax, and is this a tax-allowable expense against the business? Is there any capital gains element?

We take it that you mean that your successor is buying the business *from your company*, as distinct from buying the company's share capital from you. That being so, ex-gratia payments by tha company to its former employees (decided npon after they have left and have started working for your successor's company) would probably escape tax in their hands, up to £25,000 each: the company would not get corporation tax relief, however. If you mean that you are selling the company to your successor, on the other band, you will be limited by extrastatutory concession *A22 (as amended* last Bndget Day), which gives tax exemption to long-sarvice awards in strictly defined circumstances and excludes employees with less than 20 years' service.

The company's auditors are best placed to advise you and your fellow directors, from their knowledge of the full background facts. It is impossible for us to comment upon the CGT position (whether the company is to be sold or is to be liquidated after selling its business), without far more details than could conveniently be provided in a letter. You will find some guidance in a free pamphlet, CGT11 (CGT and the small businessman), which is obtainable from your tax inspector's office; you could st the same time ask for the free booklet of extra statutory concessions, IR1.

Splitting a company

My brother and I each hold an equal number of shares in a small property company which we started some 20 years ago. The company is taxed as a trading company but for the past few years the majority of its income has been from rented commercial properties. Due to a divergence of opinion and a clash of personalities, which has seriously affected the performance of tho company for the past three or four years, we are anxious to effect a demerger. The Inland Revenue has already intimated that it would not agree to half the properties being transferred to a new company which would be controlled by one of us, while the other retained the remaining 50 per cent in the existing company. Is there any way in which a demerger can be effected without involving crippling CGT liabilities?

The company's auditors are best placed to advise you from their knowledge of the full background facts. However (subject to what the Chancellor may say on March 19) you must be prepared to decide whether the tax cost of separation outweighs the psychological cost of staying together.

Controlling shareholder

I own approximately 17 per cent of a small private trading company, the principal shareholder owning tho remaining 83 per cent. I regard my shareholding as a long-term investment and there has never been any question of dividends or fees payable upon my holding.

The controlling shareholder (who is also the managing director) is now contemplating voting his directors' loan account, which is in credit, into additional share capital which will somewhat dilute my own holding from the 17 per cent to a microscopic 1.7 per cent.

Could you advise me as to the best way of thwarting the controlling shareholder's designs in this regard?

Yon would be wise to consult a solicitor. Your rights will depend on the terms of the Memorandum and Articles of Association of the Company, which need to be carefully considered before ascertaining whether you can insist on being offered a shareholding to maintain your proportion of the issued share capital.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

THE ARTS

Television/Godfrey Hodgson

The spies who lived up to their billing

It is hard to remember any current affairs television programme that had quite so much advance billing as Channel Four's *MI5's Official Secrets.* By the time it reached the screen it had been the subject of a front page lead story in The Guardian, followed up by the rest of Fleet Street, then of a couple of minutes on the news each night for close to a week. Just above the only advertisement it had not been given, thanks to the ineffable crassness of the IBA, was a dirigible balloon over Blackpool beach.

Before I saw the film I had even read most of the script in The Guardian, an experience that would rob most current affairs programmes of their appeal. Incidentally, it was a reminder that the whole of a *half-hour* current affairs television programme will fit comfortably on to a single page in a newspaper.

So when the IBA finally caved in and allowed it to be shown last Friday night, I was fully prepared to find it the anti-climax of the year. But it wasn't. And this fact, without wanting to take anything away from the courage and professional competence of the producers, Claudia Milne and Jeffrey Seed, was a tribute to two other people: Hugo Young *and, especially* Cathy Massiter.

Hugo Young, who lost his job as deputy editor and chief leader-writer at the Sunday Times when the Murdoch people took over, and has now found a congenial niche at the Guardian, was used by the producers as the narrator and anchorman. It is possible that in doing so they thought they were borrowing a bland, Establishment figure to lend their report status with the IBA and the clouds of lawyers who act as censors in the present state of British journalism.

If so, they were wrong. Young's commentary was a model of calm advocacy, but neither the book-lined room nor the horn-rimmed glasses concealed his real conviction. He set exactly the right tone at the very start by emphasising that he was not criticising the security service as such, merely insisting that its conduct should conform to certain principles; and that, subject to the imperative claims of genuine national security, it *must* be subject to scrutiny. "If our watchdogs are necessary, he said, "so is the assurance that they themselves are not a threat to the state."

There can be few FT readers *who do not know by now that* Cathy Massiter was the MI5 officer who blew the whistle when, as the person responsible for the surveillance of CND, she found she was being asked to break the service's own rules. She also came to believe that her work was being used for political purposes by Michael Heseltine, the Secretary of State for Defence, in the run-up to the 1983 general election.

I confess that I had suspected she herself would come across either as politically motivated in the opposite direction to Mr Heseltine, or as a self-*righteous convert* to pacifism. She came across as neither, but as an intelligent, fair-minded North countrywoman who had been asked to do something she believed to be both illegal and constitutionally wrong. Courageously, and surely correctly, she considered it her duty to speak out.

Later that same evening, on Channel Four's *Right To Reply*, Claudia Milne was interviewed *by* Gus Macdonald. So, too, were John Whitney, the chairman of the IBA, and Roger Graef, the *distinguished film* director who is on the board of Channel Four. It was Mr Whitney who made the decision not to show the film for fear of being charged under the Official Secrets Act, and then changed his mind when it became plain that the Government had no stomach for denying *on oath Ms Massiter's allegations* about the security service's misdemeanours, and would not be bringing any prosecutions.

It is tempting at this stage *to say* about *poor Mr Whitney* that he seems to have been naive enough to believe that prosecutions under the Official Secrets Act are a matter of law when it is abundantly clear, as a result of the different decisions in the Ponting and Massiter affairs, that they have become a matter of politics.

Much as I sympathised with Mr Whitney as he floundered under Macdonald's polite but fairly *devastating* questioning, the matter really can't be left like that. There is, first of all, the question of who Mr Whitney is that he should have been put in charge of a very significant part of all the serious journalism in the country. Roger Graef made the point, surprisingly gently, that it was painfully clear Mr. Whitney didn't have the faintest idea what serious journalism was about.

Granted, those who craft our evolving institutions for dealing with the 20th century have inherited from the Victorians a manical love of imprecision and latent conflict of interest. *Even so, the Massiter affair* has exposed with embarrassing clarity that the role and responsibilities of the IBA set new standards in each of those respects.

While we are about it, there was something gently comical about Gus Macdonald interviewing Claudia Milne in the guise of the stern sceptic. What the viewer does not know is that Milne learned her trade working for Macdonald at Granada, and it can be taken for granted that his view of the Massiter affair is not distinguishable by the naked eye from hers.

To be fair, Macdonald—a rare bird, in that he is a successful news and current affairs producer who has turned himself into a very effective front-of-camera performer—did extract one very interesting *fact* from Milne that I had not seen reported before; namely, that she got to hear of Massiter for no more recondite reason than that the latter wrote a letter to New Society revealing her concern about the security service's behaviour. Why did no other journalist follow that up?

Censorship is *one* problem you have to face if you want to report critically on government in Britain. But there is another almost as formidable. A half-hour television report is expected to be a *film*. It is expected to be visually interesting; even beautiful, if possible.

THE CHANCES OF getting hold of visually attractive material to illustrate the workings of the security service are, realistic*ally, slimmer* than Jane *Fonda*. Convention dictates, nonetheless, that the viewers must not be subjected to what are known with derision in the trade as talking heads. In vain does one argue with adamant producers that Hamlet's soliloquies and the Sermon on the Mount, while undeniably talking heads, have not generally been thought to be dull. Current affairs programmes are expected to obey the rules of documentary filming. So when they had exhausted the visual possibilities of *exterior shots* of the MI5 building in Curzon Street—surely one of the worst-kept secrets in Europe, by the way—Milne and Seed fall back on the conventions of a BBC adaptation of John Le Carré. We were offered beautifully shot sequences of Ms Massiter striding sensibly over some Wordsworthian landscape, and of her forking over the vegetable bed for her spring planting.

Do we really need this? The convention originated, I believe, in the first generation of current *affairs television*, when many directors and cameramen came from the feature film industry, and imposed entertainment values and styles of shooting over journalistic ones. It has not been reassessed. Perhaps it should be. But it will take courage for those producers and directors who first dare to challenge the conventional wisdom which holds that even so strong a personality as Cathy Massiter, even when she has so strong a personality as Cathy Massiter, even when she has so strong a message, must be deemed too

Michael Wood . . . dazzling entertainment

dull for the viewers unless you tart up the visuals.

Michael Wood's remarkable three-part series, *In Search of the Trojan War*, which ended on Sunday night—and which I personally hope will come to be seen as a classic of television—might at first seem to be an argument on the other side of the case. For what Wood, as *writer* and presenter and Bill Lyons, as producer/director, successfully achieved was to make dazzling entertainment out of subjects that are commonly supposed to be irredeemably prosy and dull: the scholastic arguments of archaeologists and the "Homeric question" itself, which drove generations of schoolboys to carve their initials on the desk and drove them to PPE in desperation.

The reason why Wood and Lyons brought it off, I think, is two-fold, or rather two-and-a-*half-fold*. On the one hand, Wood's passionate interest in the subject—Lyons's too, for all *I know*—shone out of every sequence of the film, whether it was Wood, in a suit, turning over the pages of a codex in a library, or Wood in jeans bouncing over upland fields of poppies and asphodel.

But the series' enthusiasm was matched by its craftsmanship. Wood and Lyons had sat down and said, "How do we best illustrate the particular point we want to *make*?" And that, as anyone who has ever tried to make a film knows, is a very different thing from saying, "What the hell can we find in the way of visuals to cover that bit of commentary?"

So it was just right, when trying to help the viewer imagine what Wood called "the *mechanics* of memory" for a bard like Homer, to go and film a story-teller from the Arran islands who uses stock epithets like Homer's and to record a pair of minstrels in an Armenian khan, holding an audience in sheepskins enraptured with their epic song of half-forgotten battles.

That was television of the highest quality; intelligent, breathtakingly beautiful, and fun.

The secret weapon, of course, and the other reason why it worked so well, is that it called up half-remembered flights of all our imaginations; for, even *now, who* is not stirred by the memory of Helen, the ringing plains of windy Troy, and the setting sun sinking into those dolphin-torn, gong-tormented seas. But why start with Homer's second-best poem? When will Wood, Lyons and the cautious moguls of the BBC bring us the surge and thunder of the Odyssey?

Stanford's Much Ado/Jeannetta Cochrane

Max Loppert

Opera Viva, the most enterprising of fringe groups, has mounted a British Opera Festival. *Much Ado About Nothing* at the Jeanneta Cochrane Theatre this week begins it, Stephen Storace's *Discontented Newlyweds* continues it at the end of the month, and as finale there is the premiere of an opera by Paul Barker. Whatever the verdict on the latter two productions turns out to be, the whole notion can be considered already justified by its opening. For *Much Ado* (1901) is a very *happy discovery*, a fast-moving, spirited piece full of charm and lively musical working, strong enough to make its points in Monday's capable but necessarily modest semi-professional performance.

Charles Villiers Stanford, Dublin-born, renowned pedagogue, prolific composer, was one of *the* late 19th century's most considerable British advocates of opera. His opera class at the Royal College was famous; his report of the premiere of Verdi's *Falstaff* still makes splendid reading. One wants his *operas to be successfully* revived; recently, only *The Travelling Companion* has cropped up, and its obvious strengths were all too obviously shown to be lamed by a hopelessly stilted libretto. But *Much Ado*, much of which is the play itself, has no such handicap. The librettist, Julian Sturgis, decided to plunge the audience *in medias res*—the first act is removed, much subsidiary detail likewise (and also the waiting-woman Ursula), but what is preserved affords a workable text, and the composer has made much of it.

This is very much an ensemble opera, and a continuous opera. Solo lines readily draw in other voices; and while the impression of "numbers", of airs and other set-pieces, lies strong on the unfolding, the unbroken flow allows quick movement from light *conversational exchange* to more extensive vocal combination where required. From all the above description, it will be suggested how potent was the influence of *Falstaff* on Stanford (in the Act 2 love scene for Claudio and Hero, with its mandolin accompaniment, the *Otello* garden scene *is* also recalled). *Mendelssohn* and (in later, broadly solemn sections) Gounod could also be cited, yet the musical accent retains a delightful individuality, and the scoring is masterly. There are no real depths to the work, no flourishes of genius, no unforgettable melodies. One comes away, all the same, with a feeling of genuinely distinguished achievement.

Monday's performance, conducted by Leslie Head, produced by Michael Hunt, was at least a cut above the usual level of such ventures. The set (a result of collaboration with the Central School of Art) is a most attractive confection of ironwork and green foliage, and the updated Victorian costumes disguise awkward posture better than those of the proper *period might*. Of the capable young cast, Hero (Birgitis Angsmyr), Claudio (Martin Spencer, an urbane tenor), and Beatrice (Patricia Cameron, a smooth, easily-produced soprano) specially deserve mention. I wish this work were given a full-scale recording; I'd love to see a production at, say, Wexford. Meanwhile, further performances tomorrow and Friday: recommended.

The Changing/Falcon, Camden Town

Martin Hoyle

The Irish Company was formed by Shane Connaughton *with special reference to* Anglo-Irish relations seen not from the viewpoint of the Anglo-Irish but that recent phenomenon, the Irish-Anglos, the new generation of Irish born and reared in mainland Britain.

This worthwhile work will not be furthered by Alan Franks's new play. The story of young English fringe actors taking over an Irish pub for a performance of *The Changeling* running parallel to the eviction of the landlord and his wife, sick of a brain tumour, by the leading actor's father, a bigwig in the brewery that owns the pub, is plastered with caricature.

"Not exactly the Deer Park at Magdalen . . . Don't you think there's a bit of pearls before *swine* about this?" complains the leading lady of the plan to bring culture to deprived *areas*; and this has the right supercilious ring. But the boy is a gormless upper-crust ass who knows of structuralism but has never heard of O'Casey—"Is it in English?" he asks. His father warns him that there are "loads of funny words in it."

The father says "by jingo" and the boy makes remarks like "I feel so real!" while talking in a stilted and mannered formalism that went out *in* 1910. Meanwhile, the Irish couple are sweet, patient and normal (even his habit of sticking a Jameson label on Sainsbury's whisky and selling ullage is lovable). The terrible suspicion dawns that centuries of Irish jokes are being avenged by reversing the process and showing the English as unmitigated clowns.

None of which would matter *if Frank Hatherley's* direction had the zany pace and grotesque rudery of some of the best radio *comedy, say*, with the whole-hearted savagery necessary for such gross, indeed Grosz, comic-strip *figures*. But the writing goes serious and finally melodramatic on us with the old couple's loyal henchman, part cheerfully alcoholic Irish stereotype, part mouthpiece for old grievances. Not even Johnny Murphy's knobby-faced facility for both good nature and hatred can make much sense of an *almost irrationally vindictive* philistinism or the bloody dénouement that may be meant to echo Jacobean tragedy but emerges as ridiculously contrived.

Patrick Waldron and Carmal Cryan play the elderly couple with a natural gentleness; some of the others look and sound uncertain as to what level to pitch their unlikely parts, and range from Goon Show upper-clas *twittishness* to the blank chirpiness produced by exposure in infancy to theatre schools.

Amadigi/Radio 3

Max Loppert

The BBC operatic contribution to the Handel celebrations, made in conjunction with the European Broadcasting Union, *was broadcast last night. It was*, as ever, an intelligent choice of work; it had been scrupulously edited for performance, and was given absolutely complete, and in good style.

The work, one of the least often revived of Handel's early Italian operas, was *Amadigi* di *Gaula* of 1715, written in that first, brilliant spate of production for the King's Theatre. It's a curious piece, a chamber opera in respect of cast (just four characters, apart from the magician *ex macchina* who briefly announces the happy end) fitted out in fullest theatrical spectacle—Burney said that there was "more *enchantment* and machinery" in *Amadigi* than in any comparable "musical *drama*" performed in England.

The libretto, by an unspecified hand, takes up a plot that had earlier served Lully, and was much later to provide J. C. Bach with his single opera for Paris. For all its provision of magical mechanics, it is entirely unremarkable — this is, no doubt, an important reason for the work's *infrequent* revival. The trials and tribulations of the noble warrior *Amadis (alto) and his* beloved Oriana (soprano) are not really very interesting; and though there is more life in the "bad" couple, Dardanus (alto) and Melissa (soprano) — she belongs, *indeed*, to the proud line of Handel's glittering, emotional complex enchantresses — the situations afford them relatively few of those piercing revelations of emotional depth with which Handel's dramatic genius could invest genuinely interesting dramatic situations.

All the same, the score is varied, well-made, and beautiful —no listener who stayed with the broadcast all the way through could possibly have thought the time wasted. We wait a while for Handel to deliver one of his memorable, melting melodies; but with Oriana's "O caro mio tesor" *in Act* I, we wait no longer. The second act shows a richer flow of invention, in airs of sorrow and anger for the temporarily confused and distressed lovers, a startling piece for Dardanus in which the accompaniment is no more than unison strings and a drone bass, and a brilliant, vengeful D major showpiece with trumpet for Melissa. The shorter third act is entirely composed of fine *things*; and the *close*, a noble florid air for the hero followed by a chorus and *ballo*, leaves *behind* the *sensation of elation* that Handelians know well.

Roger Norrington, conducting the *London* Baroque Players, led what seemed to me one of his most enjoyable opera *performances*. *Rhythms* were springy, tempos were always judicious, ornamentation was mostly felicitous; the whole work flowed, naturally. The singing was in the familiar current Early Music manner—tasteful, reliable, and small of scale, seldom risking passionate, striking gestures or tonal beguilements. Eirian James as Amadis was the liveliest of them; Patrizia Kwella (Oriana) and Anne Mason (Dardanus) made a rather pallidly English impression; the single non-British member, Rachel Yakar, in less than best voice, hardly sounded like a fascinating enchantress to me (but at least her Italian was idiomatic).

Tate named as ECO conductor

Jeffrey Tate has been named as principal conductor of the English Chamber Orchestra, the first such appointment in it's 25-year history.

Tate recently was made principal conductor of the Royal *Opera from* the 1986-87 season.

The Shrew/Stratford E.15

Michael Coveney

The Taming of the Shrew, "the Women's version," is not an attempt to soften the edges of Shakespeare's grimly buoyant comedy but a sustained gesture of disapproval for its sexist content. The *main idea* of Ultz's boldly, bittily designed production is to dispense with the *Christopher Sly scenes* and place the action within a feminist theatre group meeting.

Thus the cast drift on in blue boiler suits and luminous orange workmen's vests and pick up their scripts. Paper screens hanging from the roof list the *functions* of Man (woos, ravishes, achieves) and the characteristics of a Perfect Wife (gentle, yielding, obedient). The verse is punched out to *the* accompaniment of pounding feet and slapping thighs, a trick whose novelty soon wears thin. Baptista's daughters are pinioned against *more* of the paper screens and given aerosol spray costumes.

Throughout, the romantic Petruchio is mockingly sent up by Fiona Victory's stances and delivery, while Johanna Kirby's disguised Lucentio drools over a painted splayed torso of Bianca (Shona Morris). Susan Cox's willowy, ginger, slightly vinegary Katherine is an excellent *performance*, battered into submission in traditional vein (the honeymoon dinner is as unreal as the new dress is remote *on a 16mm film*) *and* finally abandoned by a contemptuous company as she moves *from* con*fident assertion* to snivelling servitude in her final speech.

The play is not so much rewritten or improved as done in a spirit of outraged disbelief. The approach is valid enough, and Miss Kirby finds a similarly mocking audience reaction to "Love wrought these miracles." The image of a naked doll runs through the show culminating in the appearance of Horatio's wife as an inflatable rubber object tossed from "man" to "man."

Passages such as the true Vincentio's arrival come off *worst, as straight* narrative clarity is not Ultz's forte here, slightly disappointing for those of us who so admired his *Pericles* at this address. Still, the performance is continuously inventive and only faintly irritating. Rather *like* the play.

Isserlis, Coker/St John's

Andrew Clements

Rakhmaninov's cello *sonata* in G Minor was the main work in yesterday's BBC Lunchtime recital from St Johns, Smith Square, given by Steven Isserlis and Paul Coker.

Isserlis' forcefully projected tone and confident handling of succulent melodies are suited well to a work which often threatens to break the expressive bounds of a duet sonata, and in which the balance between cello and piano is a perennial problem.

Certainly the Radio Three broadcast at least *found an* equitable solution, even to the extent in the first movement of sometimes favouring the cello too obviously.

If anything the demands made on the pianist are even more formidable than those on his partner — the composer himself took part in the first performance of the sonata, and there are recurrent echoes of the solo writing from the second piano concerto.

Mr Coker showed *himself* splendidly able to cope, attacking the cadenza-like transition in the first movement with great relish and launching the reprise of the scherzo with equal enthusiasm. The duo did not quite make the finale convincing; it is a movement which seems to be coming to a rousing *climax* several times before the end arrives, but they did reveal an unexpected *intimate poetry in the slow* interlude of the same movement, with both players tapering their phrases with *great* sensitivity.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

March 8–14

Theatre

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and *overblown* idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy *hoofing* by a large chorus line. (977 9020).

Joffrey Ballet (New York State Theatre): The four *week season* continues with the New York premiere performances of John Cranko's choreography of Romeo & Juliet, staged by Georgette Tsinguirides with James Canfield and Patricia Miller in the title roles, followed by mixed programmes including the local premiere of Hexameron. Ends March 31.

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's ebullient and touching story of *a drag queen from* backstage to loneliness incorporates all the wild histrionics in between, down to the confrontation with his doting Jewish mother. (944 9450).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, à *la Supremes*, without the quality of their music. (239 6200).

Brighton Beach Memoirs (Neil Simon): *If he wasn't sure before*, playwright Neil Simon can expect a long run of his funny as well as touching childhood reminiscences now that the Nederlander organisation has generously decided to name the theatre after the generation's outstanding box office draw. (757 8646).

A Chorus Line (Shubert): The longest-running musical ever in America *has not only supported* Joseph Papp's Public Theater for eight years but also updated the musical genre with *its* backstage story in which the songs are used as auditions rather than emotions. (239 6200).

The Real Thing (*Plymouth*): After 14 months in London, Tom Stoppard's latest giggle at the English intelligentsia, with a new-found attention to the heart that beats beneath the veneer, directed at a fast clip by Mike Nichols. (239 6200).

Sunday in the Park with George (Booth): Inspired by the Seurat painting, Stephen Sondheim fashions a musical with dots and dashes of song that end too soon but work well with Tony Straiges's pretty set and James Lapine's book which changes gears in the second act. (239 6262).

Noises Off (Brooks Atkinson): The closest Broadway gets to the British farce tradition is this import of Michael Frayn's funny backstage view of all the slamming doors and dropping drawers. (245 3430).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein's adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

CHICAGO

Riches to *Ragtime* (*Pheasant Run*): World premiere of John Reeger and Ed Flesch's view of scams and fast talkers by combining Scott Joplin tunes with O. Henry characters. Ends Mar 31 (261 7943).

On the Razzle (Absolute): Michael Leavitt directs the local debut of Tom Stoppard's interpretation of the Johann Nestroy farce. Ends Mar 31 (327 5252).

LONDON

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rustling around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

On Your Toes (Palace): Rodgers and Hart's 1936 musical is a genuine tonic. American jazz dance collides with the Ballets Russes. Gems include There's a Small Hotel, Glad to be Unhappy and the Balanchine ballet for Slaughter on Tenth Avenue. (437 6834).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

Mother Courage (Barbican): *Fine* RSC presentation by the design team of Cats – John Napier and David Hersey – with Judi Dench as a scavenging, music hall and finally moving Courage pushing her elaborate cart of stage machinery through the Heavyside Layer. Howard Davies directs, good support from Trevor Peacock, Stephen Moore and Zoe Wanamaker. (628 8795).

Two Into One (Shaftesbury): Donald Sinden and Michael Williams head the cast of a blissfully funny farce by Ray Cooney in the old Whitehall tradition. An irate manager, Lionel Jeffries, declares: "There's far too much sex going on in this hotel, and I'm not having any of it." Not to be missed. (379 5399).

Waste (The Pit): Riveting RSC revival directed by John Barton of Granville Barker's 1907 once-banned play about a politician destroyed by an adulterous liaison leading to an abortion, a death and a suicide. Daniel Massey, Judi Dench, Charles Kay, Tony Church and Mark Dignam in a stellar cast. (628 8795).

Coriolanus (Olivier): Peter Hall's best production to date at the National, Ian McKellen a splendidly historic thing of war, thrilling use of the Olivier's arena architecture, Irene Worth never better as Volumnia. In all, a thoroughly lucid exposition of a great and complex play with an NT company that for once resembles an *ensemble*. (928 2252).

The Hired Man (Astoria): Worthwhile new musical of Cumbrian agricultural and war-time life, based on a novel by Melvyn Bragg. Persuasive anthems, marches and chorales composed by Howard Goodall, with a high standard of singing and musical direction. Lyrics and book less secure. (734 4287).

Me and My Girl (Adelphi): Sleek, efficient and enjoyable revival of Britain's biggest war-time musical hit with *Robert Lindsay in the Lupino* Lane role emerging as the best new musical star since Michael Crawford. (836 7611).

Little Eyolf (Lyric, Hammersmith): Ibsen's powerful drama of retribution strongly acted by Diana Rigg, Ronald Pickup and Cheryl Campbell but flawed by a pedestrian design. A great play not seen in London for 20 years. (741 2311).

The Lonely Road (Old Vic): Anthony Hopkins and Samantha Eggar in Schnitzler's affecting play of memory and regret, old age and lost love, played, a little obviously, as a Freudian casebook. Amid all the alienatory mumbling and white screens, Hopkins has a few strong moments of still, expressive desolation. Again, a collector's item. (928 7616).

WEST GERMANY

The Mousetrap by Agatha Christie, directed by Brian Sheehy, with a cast including: John Adam-Baker, Penelope Charteris, Fiona Evans, Alan Goodson, James Hagan, Vyvian Hall, Maxine McFarland and Brooks McKay. *The English Speaking* Theatre, Frankfurt, Hamburger Allee 45 (069-77 74 66). Closed Mondays.

Saleroom/Antony Thorncroft

City debut for Christie's

Christie's has established an outlying station in the City where businessmen interested in antiques can browse through catalogues, place bids, and come for regular lectures by specialists into the various art markets.

Christie's City yesterday held it first auction yesterday, in the Chartered Accountants Hall opposite its office. Not surprisingly, it chose wine as its initial venture and, after a hectic tasting, the room was crowded with interested spectators and not a few bidders. The wines on offer were of no great quality, but prices were as good (in some cases, better) as the saleroom expects to achieve in its regular South Kensington wine auctions, and there were unsold lots.

Port did particularly well (it is enjoying a revival at the moment) and the £320 that secured a dozen bottles of Cockburn 1963 was probably a record for this vintage. Sparkling Saumur was on target at between £41 and £42 a dozen, and Chilean Cabernet Sauvignon was also at the top end of forecast at between £26 and £33 a dozen.

A quality wine, 12 bottles of Chateau Ducru-Beaucaillou, 1970, sold comfortably *within* forecast at £340, while Chateau Brane-Cantenac 1973 was slightly above forecast at £105. All in all, prices were very much as expected; but the number of new faces present encouraged Christie's, which intends to hold more auctions in the City.

Another auction that went according to plan was Phillips' sale of Victorian pictures. It totalled £164,820, with a reasonable 8 per cent bought in. The most important picture, a view of Stirling, painted by Alexander Nasmyth, was spot on estimate at £21,000 and "Canal life" by Charles Wyllie did very well at £14,000: it carried an estimate of £2,000-£3,000.

Christie's sale of Japanese works of art got off to a sound start in the morning, with a total of £112,774 and 10 per cent unsold. A pair of six-leaf screens of the middle Edo period went above target at £9,720, and one screen of the *same date realised £6,480*.

A re-discovered letter from Beethoven to his "Immortal Beloved," together with a print of the composer which is said to reveal his "soul," will be sold at Sotheby's on May 9. The letter is to a married woman, Antonie von Brentano, who is now considered to be the great love of his life. The lot carries a forecast of £020,000-£30,000.

Verdi's libretto for *Harmani*, written in his own hand, carries an estimate of £70,000-£90,000.

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Wednesday March 13 1985

An arms test for Gorbachev

CHEMICAL WEAPONS were the first application of technology to war which led quickly to what might be called a consensus of abhorrence. The imbalance between the utility and the dreadfulness of chemical weapons in the First World War prompted the Geneva Protocol of 1925 which, in effect, banned the first use of chemical and biological weapons, though not the possession of them.

By 1975 both the U.S. and the USSR had ratified a convention banning the production and possession of biological and toxin weapons. The current centre-piece of the 40 nation Conference on Disarmament in Geneva is an attempt to negotiate an equivalent "no possession" convention for chemical weapons.

Until recently it was therefore possible to regard negotiations about chemical weapons as pathfinders in the arms control process, exploring concepts like the destruction of stockpiles and the verification of non-production which still remain pipe-dreams in the control of nuclear arsenals. But lately, as the negotiations in Geneva have dragged on into their third year, it has begun to look as if chemical arms control might unravel faster than it can be stitched together.

There has been blatant use of chemical weapons in the Iran/Iraq conflict. There has been mounting concern at the number of countries building chemical weapon arsenals. Mr George Shultz, the U.S. Secretary of State, estimated recently that 13 countries now possess them, up from five in 1963. He feels that international restraint in the use of such weapons might be in danger of breaking down.

Verification

There is also a mounting sense of vulnerability in the West because of the imbalance between the stockpiles of chemical weapons of Nato and the Warsaw Pact. In a speech to the Geneva conference yesterday, Mr Richard Luce, minister of state in the British Foreign Office, pointed out that the UK had given up its chemical weapons 25 years ago, that the U.S. had not produced any since 1969, but that the USSR was relentlessly building upon stockpiles of some 300,000 tonnes of chemical warfare agents.

Both in Europe and in the U.S. the pressure from the military on governments to equip it to match this threat has been growing. The British Prime Minister, Mrs Thatcher, recently reviewed the British stance and decided to continue with abstinence. The Pentagon is applying increasing pressure on Congress to allow a resumption of the production of chemical weapons in the U.S.

There is thus a new urgency to inject some life into the chemical weapons talks. But a verifiable convention banning the production of chemical weapons is extraordinarily difficult to construct because so many potentially lethal chemicals are so ordinary. This ordinariness means that verification has to be more than usually inquisitive if it is to allow a balance of fear to be replaced by a balance of international confidence that chemical weapons have neither been created nor concealed.

Britain has produced a number of detailed suggestions as to how adequate verification might be achieved. It tabled another paper yesterday. Yet the nub of the matter is that the ball is in the Soviet Union's court. Last spring the U.S. presented a draft convention which embraced the British proposals and which insisted on a tough system of "challenge inspection." This would give inspectors the right to swoop on a suspect chemical facility and check that it is not producing chemical weapons. *The U.S. draft* unfortunately handed the Soviet Union an obvious get-out by suggesting that only state-controlled plants be subject to this regime. The U.S. is not well-known for its state controlled chemical plants.

Compromise

Is this the only Russian objection? Almost certainly not, but the conference will never know so long as the Soviet Union restricts itself to commenting on the proposals of others. Nothing in the Western draft has *been* presented as non-negotiable. It is time that the Soviet Union came forward with its own draft treaty to make its position clear. This would allow the other 38 nations represented at the conference to decide how the correct compromise between America's transparency and the Soviet Union's traditional opacity might be drawn.

If the new Russian leadership's aim is to preserve its chemical weapon option, then its current tactics are impeccable. If it wishes to underline its good intentions as it restarts its nuclear bargaining with the U.S., the chemical weapons talks provide it with an ideal opportunity.

The case for local democracy

AS THE political haze clears after one of the most remarkable weeks in recent local government history a clear but curious paradox emerges: the more central government tries to take central controls over town halls the stronger and healthier Britain's flawed local democracies turn out to be.

Midnight on Sunday was the deadline under the Rates Act 1984 for the four rate-capped English upper-tier councils to set a rate within the Government's prescribed maximum for 1985-86. In the end each of the four Labour-controlled authorities—Merseyside, South Yorkshire, the Greater London Council and the Inner London Education Authority—complied with the law. The key democratic convention remains intact: statutes of freely elected governments are complied with.

Erosion

Mr Neil Kinnock, the Labour Party leader, has argued consistently that all Labour politicians have an incontrovertible duty to obey the law of the land. The decision of authorities led by *four such* prominent left-wingers as Mr Ken Livingstone, Mrs Frances Morrell, Mr Keva Combes and Mr Roy Thwaites to follow this line is an important victory for Mr Kinnock's attempts to keep his party on a democratic keel.

The public contortions performed by some Labour councillors on the path to a legal decision have not altered any of the fundamental objections to the Government's Rates Act; they have merely been a temporary distraction. For the Government still faces the charge that the Rates Act, allowing it to cap the expenditure and rate levels of as many councils as it chooses at whatever level it chooses, is an unwarranted erosion of local democracy which potentially threatens to change local government into local administration.

The Government's meddling in democratically elected councils' finances appears to have brought about a revival of political energy in local government. This has been largely through the higher profile of Labour councils in urban areas but it goes wider than that. Some Tory councils in the rural shire areas have joined battle on behalf of local autonomy while others have experimented with novel ways of responding to local concerns; the Alliance, often with tiny representations on councils, is brimming with ideas and initiatives.

This revival of local political activity and enhanced local identities is a healthy spur to decentralisation which is desirable in a variety of forms — local pay bargaining, local initiatives to create jobs and a more lively local government. Without this rising level of awareness that Britain does not begin at Westminster and end at Whitehall, the decline of Liverpool's physical and social fabric might have become irreversible. Instead the International Garden Festival brought millions of visitors and millions of pounds to the city; now a "Tate Gallery" for the North is to be built in Liverpool.

Inquiries

Despite this welcome localist resurgence there is still much that is wrong with local government and two government inquiries could lead to major improvements. One is the internal inquiry into finance; this needs urgently to look at the business rate, the distortion of rate subsidies, the need for a broader supplementary local tax and a revaluation. The other is the inquiry chaired by Mr David Widdicombe, QC, into local government practice and procedure. Some Labour and Tory practices need careful examination here, not least the extent to *which officers* are required to work for the majority party, what constitutes legitimate discretionary spending and the vetting by Tory Central Office of short-lists for chief officer vacancies in some Tory-controlled councils.

It is an unfortunate irony that while the Government has set up these inquiries which could enhance local democracy and accountability, its legislative initiatives have worked in the opposite direction.

THE SUDAN CRISIS

Drought, hunger and despair

By Tony Walker, recently in Sudan

DRIVE EAST from Khartoum to the Ethiopian border beyond *the irrigated triangle* south of the capital, between the White and Blue Niles, and the grip of Sudan's terrible drought becomes clear.

Mile after mile passes without sign of green foliage. The parched grazing and cropping country is dotted with the carcasses of dead animals, while families dig for water in dried-out river beds in a listless daily ritual.

Sudan is in desperate circumstances. It is afflicted by drought and famine, a full-scale insurrection in the south, an influx of more than 1m refugees from Ethiopia and Chad, and an economic crisis presided over by Jaafar Nimeiri, the country's increasingly idiosyncratic ruler.

The spectacle deeply alarms its friends in the region, notably Egypt, and its backers in the West led by the U.S., who have long regarded Sudan as a pivotal country in Africa and a strategic buffer between pro-Soviet Libya and Ethiopia.

American officials still describe Sudan as a "strategic asset," although with diminishing certainty, for at best the country faces a long rehabilitation, while at worst there is a growing danger of fragmentation between the broadly Muslim north and Christian or animist south.

The long lines of motor vehicles which queue as petrol stations in Khartoum for rationed supplies are the most visible sign of the country's bankruptcy. In a country of vast distances, access to fuel has become an obsession and fortunes are being made by profiteers. Last month, the black market price for one gallon of petrol ranged up to Sudanese pounds 50 ($20).

At crowded refugee camps on the Sudanese-Ethiopean border relief workers say the logistical problems caused by lack of fuel are a constant drag on their efforts to save lives. Urgently needed foodstuffs and medical supplies are delayed, sometimes for days, as refugees continue to flood across the border.

Al Tiraifi Younis, a senior official of Cor, the Sudanese agency responsible for refugees, says that "refugees are coming with nothing in big numbers from many different directions. It is beyond our capacity, really beyond anyone's capacity to absorb them."

According to the office of the United Nations High Commissioner for Refugees in Khartoum, 121,000 refugees have crossed into North-Western Sudan from Chad since the middle of last year and some 771,000 Ethiopians are now in settlements and towns in eastern *Sudan. The first influx of Ethiopians* came in 1967, but numbers accelerated last October as drought conditions in Ethiopia continued to deteriorate in the northern provinces of Tigre and Eritrea and the Mengistu regime intensified its attempts to stamp out the insurrection in those provinces.

Wad Sherife camp near the Sudanese border town of Kassala was designed for 4,000, but it is now holding 75,000 refugees. At one point last December, there was a daily influx of 6,000-12,000, a flood of people that tested to the limit Sudan's ability to absorb new arrivals. Sudanese officials are deeply worried about the mass movement of Ethiopians into their country with its population of a little more than 20m.

"Our culture is still compact and strong enough to receive refugees, but we're afraid people are going to react and if that happens it will spoil our ability to accommodate new arrivals," says Mr Younis. Harassed officials insist, however, they are not about to push refugees back over the border saying this would be against national policy and the nature of Sudanese. There have been reports nevertheless of tension over access to scarce resources in a country struggling to feed and provide water for its own population.

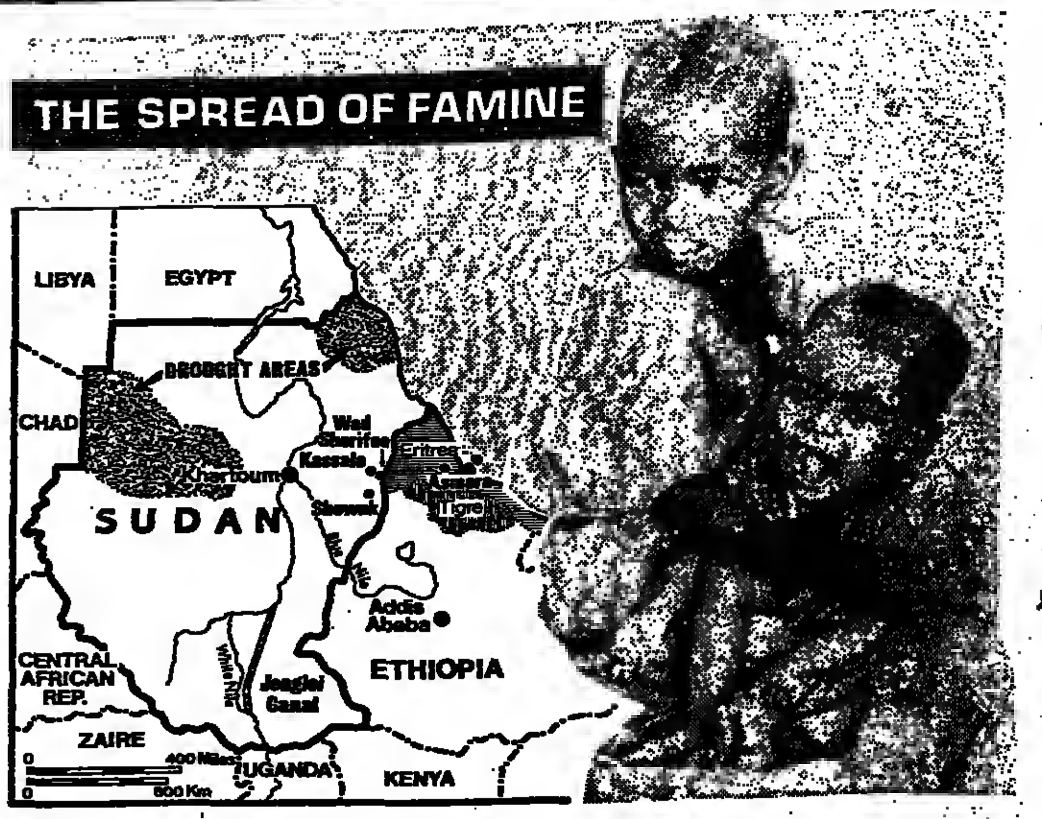
The impact of the refugees on the fragile ecology of Sudan, reeling under its third successive year of drought, is incalculable. Thousands of acres of valuable agricultural land has been despoiled, rivers have run dry and subsurface water has been polluted. And there is little prospect of large numbers of Ethiopians returning home soon.

Sudanese officials and international relief workers are planning on the basis that a huge Ethiopian population is in Sudan to stay and will not return until security is restored in Tigre and Eritrea. According to Barbara Hendrie, an American who is working with Tigrean refugees and who recently crossed the border into Ethiopia, whole villages are "on the move" and prospects are for a further large influx of Ethiopians.

The only way to stop Sudan being "buried under refugees," she says, is for donor organisations to tranship food supplies across the border into Ethiopia on a large scale instead of the present small amounts that are dribbling through.

In Khartoum, UN officials are becoming increasingly alarmed about Sudan's *famine* that could place 20 per cent of the population at risk by the second half of this year. According to Arthur Holcombe, chief representative of the UN development programme, UNDP, there will be a "food deficit" after June of about 250,000 tonnes which is the equivalent of 3.7m people not receiving their basic food requirements. Thousands of Sudanese have been forced by drought to leave their land in the north-west and north-east, and are now posing a considerable internal refugee problem.

Sudan, which was once spoken of as the potential "bread basket" of the Middle East is struggling for survival, a victim of unpredictable political rule and economic mis*fortune*. For its present difficulties can only in part be explained by the drought and famine, and the influx of refugees.



NIMEIRI PRESSES ON DESPITE THE PROBLEMS AND THE HOSTILITY

A RECENT World Bank study blamed Sudan's economic crisis on inadequate economic management policies compounded by external factors such as the sharply increased price of petrol in the 1970s.

This coincided with a disastrous fall in real terms in the value of Sudan's exports by nearly 50 per cent between 1972-1973 and 1981-82, the World Bank found, mainly because of a *dramatic reduction* in the volume of cotton exports, down in 1981-82 to less than 15 per cent of the 1971-72 level.

"Transport difficulties and other infrastructural problems contributed to this decline," the report said, "as did declining maintenance in many public irrigation schemes."

As exports fell in real terms, Sudan stepped up its international borrowings. It is estimated that its total foreign debt now stands at $9bn, and its debt service burden as a proportion of exports of goods and services increased from 12 per cent in 1972-73 to more than 100 per cent a decade later.

Sudan is the despair of the international financial community, notably the IMF with which it has a troubled history. The Sudanese are heavily in arrears to most, if not all, creditors and several stand-by arrangements with the IMF have collapsed because Sudan has been unable to meet fund conditions.

The question today is whether Sudan will slide further into an economic and security mire from which escape will be all but impossible, or whether small indications that it is intent on improving its housekeeping signal the start of a long haul back from the present crisis to a realisation of its undoubted potential. The prospects, it must be said, are not promising.

If Mr Jaafar Nimerie, its ruler, is troubled by his negative image in the West, the hostility of large numbers of his countrymen and the economic crisis, he has not allowed it to deflect him from his programme of spreading Islam, which has contributed substantially to his problems.

His decision in January publicly to hang Mr Mahmoud Mohammed Taha, head of the moderate Republican Brothers, over his criticism of the application of "Sharia" law, was no doubt a warning to opponents of his programme. The hanging of Mr Taha, a 76-year-old devout Moslem and political moderate, dashed hopes that Mr Nimeiri may have been turning away from the more confrontational elements of his drive.

For many Sudanese who had hoped that the country's economic crisis and the problems in the south may be softening Mr Nimeri's political programme, it was a profoundly depressing development. But an apparent unconcern about *dislocation* caused by the application of fundamentalist principles has been a feature of Mr Nimerie's rule since 1983.

By any reasonable political standards, Mr Nimeiri's own

> The question now is whether the country will slide further into an economic and security mire

position should be precarious, but the opposition is fragmented and without the aparent means to topple the regime. A leading opposition figure said that if there were to be a challenge to *Mr Nimeiri realistically* it could only come from the army.

The military, however, is well looked after and young officers who demonstrate a spirit of independence are not encouraged. For senior officers, there are the rewards at the end of their careers of positions with parastatal organisations like the military economic corporation, where there are riches to be made.

Mr Nimeiri appeared to have neutralised the fundamentalist Moslem Brothers, one of the main opposition groups, by his introduction of Sharia Law. The the brotherhood effectively became the establishment and its leader, Hassan Turbi, was among the President's closest advisers. But Mr Nimeiri's announcement at the weekend that he had dismissed Mr Turabi and other prominent Moslem brothers confirmed an estrangement that had been apparent for some time.

The question now is whether Mr Nimeiri's falling out with the brotherhood will lead to another profound zig-zag in his mercurial career and a backing away from the application of Sharia. The immediate cause of his action against the Moslem Brothers appears to have been recent disturbances involving the brotherhood and leftist and southern Sudanese students at the University of Khartoum, which forced closure of the campus.

Other opposition groups, such as the followers of Sadiq Mahdi, great grandson of the Mahdi who overwhelmed General Gordon in the siege of Khartoum in 1885, the Communists and Baathists, are almost invisible.

The main immediate threat to Mr Nimeiri appears to lie in the southern rebellion that has left Sudan divided and jeopardised its most critical development projects. The activities of the Sudanese People's Liberation Army, SPLA, have stopped Chevron Oil's attempts to exploit a large field near Bentin on the Upper Nile, which would have made Sudan self-sufficient by 1986.

Return on Chevron's investment of more than $800m in its Sudan operation depends on restoration of order in the mainly Christian and animist southern regions where there is intense hostility mostly among the dominant Dinka tribe towards Mr Nimeiri's Islam policies and recent administrative changes in the south aimed at weakening the tribe's influence.

The other major project being held up because of rebel activity is the Jonglei Canal, designed to increase the flow of water in the White Nile on which France's Compagnie de Construction Internationala is the main contractor. Work on both the above projects has been stopped for almost one year and there appears little prospect of an early resumption.

Go-between in the recent contacts between Sudan and Libya was *Adnan Kashoggi*, the Saudi Financier, who in October last year concluded a broad-based agreement for development of Sudan's oil resources. The agreement with *Mr Kashoggi* for the establishment of the National Oil Company of Sudan was seen as an attempt by Mr Nimeiri to put pressure on Chevron to resume development of the Bentin field.

Those searching for some good news in Sudan could point to the improvement in 1983-84 in the balance of payments position. Export revenues increased by 28 per cent to $732m with cotton contributing about $344m.

Imports declined 8 per cent to $1.3bn, partly because of tight domestic credit plus the depreciation of the free market value of the Sudanese pound. There was also a reduction in growth in money supply and inflation eased marginally to 25 per cent from about 30 per cent.

But the continuing drought, which has hit crops, notably cotton and sorghum, is a serious setback. Sudan's *short-term* prospects are bleak and so too is life for most of the people.

Men and Matters

Mrs Hoffman's bank charges

Bank of America, the lumbering West Coast banking giant, has had more than its share of problems lately. Just as the tide seemed to be turning in its battle to reverse a four-year earnings decline, it lost $95m last month in a massive mortgage-backed securities fraud.

Now it is facing further embarrassment. Mrs Claire Giannini Hoffman, daughter of the legendary A. P. Giannini, the bank's founder, has just announced that she is *severing* her connections with the bank because "never has corporate self-interest, insincerity and insensitivity been more conspicuous."

Eighty-year-old Mrs Hoffman, who joined the board in 1949 on the death of her father, is worried that the bank, until recently the biggest in the world, has lost sight of its founder's ideals.

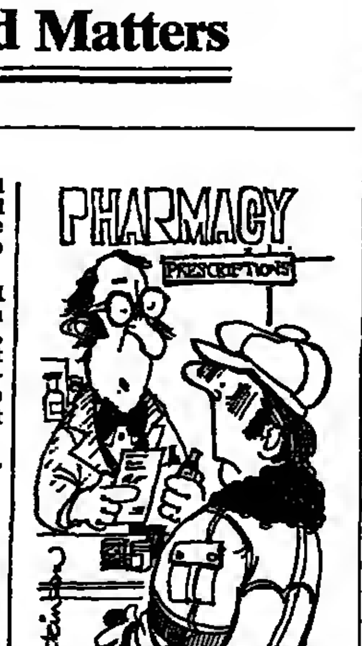
Amadeo Peter Giannini, the son of Italian immigrants, opened the Bank of Italy (forerunner of B of A) in San Francisco 80 years ago. It quickly became known as the "little fellow's bank." Giannini did more than most to spread the banking habit in California in the early years of the century and frequently crossed swords with the East Coast banking establishment which initially frowned on the business methods of the tiny upstart but eventually came to copy them.

What seems to have upset Mrs Hoffman, in particular, was the proposed sale and leaseback of the bank's 52-storey, San *Francisco* headquarters which includes a bust of her father and a plaza named in his honour.

Mrs Hoffman, who was a director of Sears Roebuck for many years, and turned down an invitation to be a governor of the Federal Reserve because she did not want to break her ties with the bank, says that the decision is "just the latest item in a chronology of corporate myopia and thoughtlessness."

The bank says it has not made up its mind yet whether to sell its San Francisco landmark, and it has spent considerable time trying to put its case across to Mrs Hoffman.

But it is clearly embarrassed by the criticism which has been telexed around the world, especially her comment that "never in the long and remarkable history of the bank has the concept of public welfare meant less."



"How would you like to pay, sir—American Express?"

Book-keeping

Be prepared next year for an exhausting bout of jousting, mead drinking and general nostalgia for the good old days of the Norman Conquest when the 900th anniversary of the Doomsday Book is celebrated.

Work is well advanced in a top security room at the Public Record Office at Kew on taking apart with a scalpel the Book's 800 remarkably well-preserved parchment pages prior to rebinding. Missing fragments are restored with parchment from the country's only surviving manufacturer at Newport Pagnell.

The meticulous process will take twice as long as the eight or nine months it took William's scribes and tax collectors to complete their task of recording the location of all property from castles to beehives.

There are, in fact, two Domesday Books—one covering most of England as far north as Lancashire and Durham; and the other, Norfolk, Suffolk and Essex. Great and Little Domesdays will reappear in public next *January in five "slim-line"* volumes.

There has been surprisingly little criticism of the decision to rebind and divide. "All the academics we consulted were rather enthusiastic . . . we want to ensure that Domesday is fit to last another 900 years," says Dr Helen Ford, head of the PRO's conservation department.

The BBC is preparing a 1986 version of Domesday using the latest information technology. But unlike the Normans' sheepskin parchment, its plastic video discs are likely to degrade within 100 years, and its stainless steel master discs will probably be unusable in 500 years.

The only way the parchment's durability could be matched would be with gold plating.

Wilmot's way

Although Robb Wilmot, a product of the electrical engineering department of Nottingham University, is still only 40, he has managed to become a legendary figure on the British high-tech management scene.

The prospect of *him* setting up a new company for Sir Clive Sinclair to make semiconductors has had hardened Fleet Street sub-editors turning up the files and dusting off the tales of his 100-hour working weeks.

Wilmot's youthful appearance, behind huge horn-rimmed glasses, gives no hint of his impressive industry. His Irish wife Mary was telling the Press four years ago about "My perfect life with the £150,000-a-year dynamo."

By then, Wilmot had made his name with Texas Instruments, becoming managing director of the British end within 12 years of graduating from university. His five-figure pay cheque came when he became md of the ailing ICL.

His deal included use of a £300,000 house, a £25,000 disturbance allowance, a Range Rover, a massive share option arrangement, and a chauffer-driven Daimler to get him to work by 7.30 am for his customary 14-hour days.

STC took over ICL last year and a change of pace was necessary for Wilmot. He became *chairman* leaving the *day-to-day* running of the business to Peter Bondfield.

Wilmot said he would work part-time in future and see more of his family. He meant about 50 hours a week instead of his customary 100. Few of his friends believed he could accomplish such a dramatic gear change.

Now the Sinclair connection looks like giving him the chance of getting back to his accustomed high revving self. For in addition to that job he intends to continue giving a large part of his time to ICL.

First Sight

Double vision apparently affected my note on Monday about First Sight Opticians, of Regent Street. The company is not located at Harrods or Dickens and Jones, though its parent S and L Group operates hair and beauty salons in the two stores.

Observer

MILK PACKAGING IN BRITAIN

On the doorstep of change

By Tony Jackson

MILK, THE advertisements tell us, has a lot of bottle. The edvertisements look like becoming out of date. Little by little, the milk bottle is slipping ont of fashion. And for the makers of other things to put milk in—cardboard cartons, plastic containers—that represents a startling opportunity.

If all the milk drunk in Britain wer sold in pint cartons, at e cost of around 2p each, the market for supplying these cartons would be worth £250m a year. Small wonder, then, that this corner of the packaging industry has lately become a hive of investment activity, with new competitors muscling in and existing manufacturers expanding capacity at a rate of knots.

Tha bumble milk bottle is a remarkably efficient peckage. It costs only around 5p to prodnce, and is on average good for about 25 trips. Aside from the costs of collection and so forth, it can deliver a pinta to your doorstep for 0.2p — a tenth of the cost of a carton.

Despite that, it is losing ground. In the past six years, cartons have more than douhled their share of the milk market, to e present total of nearly 19 per cent. On top of that, the four-pint plastic container bas already grabbed an annual total of around 240m pints, or a further 2 per cent.

The change bas been brought about not by the packaging industry, but by the retail trade. Although some cartons

A brisk tussle between retilers and dairy companies

are sold on milk rounds, very few milk bottles are sold anywhere else. In 1978, only 8 per cnt of the milk drunk in England and Wales was sold to supermarkets and shops, with the rest being delivered to the doorstep by that unique institution, the British milkman. By 1984 that figure had doubled to 16 per cent.

The past few years have seen a brisk tussle between the retailers and the dairy companies over price and supply. And the dairy compaines—as employers of the milkmen, as well as suppliers of milk — have proved no better than most at holding out against the muscle of the big supermarket chains. "We're ell committed to doorstep delivery," says one dairy executive, "but we've got less and less control."

This epplies not only to supply of product, but to packaging as well. The supermarkets will not countenance the glass bottle, not only because it is heavy and makes a mess when it breaks, but because it is economically viabla only if returned regularly to the supplier—a joh which the supermarkets are not equipped to do.

For a while, this gave the existing carton manufacturers a free run at a marvellous new market. However, the big three—Norwegian-owned Elopak, Swedish-owned Tetrapak and Bowater Packaging—have been joined in recent months by a fourth heavyweight, Mardon Packaging. This BAT-owned subsidiary has a turnover of some £500m, and as the UK's niggest maker of cigarette packets has a lot of experience in psckaging machine systems.

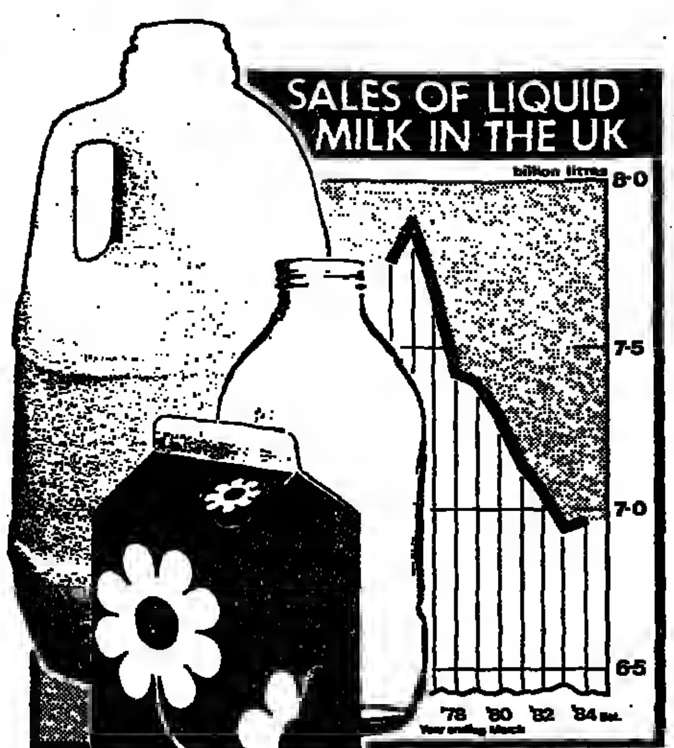
With its new filling system under licence from Germany, Mardon could put pressure on a market which is by all accounts not all that profitabla in the first place; some manufacturers claim that the scale of the opportunity has led to ferocious competition on price.

Not only among the carton makers, either. The four-pint plastic milk bottle has come from nowhere in less than three years, in the hands of two suppliers only—the Milton Keynes based plastics manufacturer Plysu, and a company formed seven years ago by ex-Plysu executives, Blowmocan. Plysu now turns out 50m four-pint bottles a year, and Blowmocan 9m.

So far, there are no signs of this growth sttracting competition. First, the highly sophisticated machines used for blow-moulding the containers are all of U.S. manufacture, and are now double the price of three years ago on the strength of the dollar alone. But, says Blowmocan chairman John Bunker, there are two other reasons as well.

Making light, tough, well-designed bottles for the milk trade is a job which takes a lot of learning. And second, "the two established companies—ourselves and Plysu—are cutting the market to ribbons."

This is partly a matter of squaring up to the carton makers on price. No one is yet sure whether the UK market will follow tha U.S. or the European route. Both these



markets waved farewell to the milkman—and therefore the glass bottle—many years ago. Across Europe, the carton took the glass hottle's place: in America, the market went to the four-pint and gallon container—en area in which the carton cannot compete, since st that size it becomea unstable and hard to handle.

But there is an aspect of the U.S. market whicb worries the plastic makers. Every packaging company's nightmare is thet its customers will start making their own containers in-house. In America it is standard practice for dairies to do just that, making and filling their own plastic bottles on site.

And in the UK? "We've certainly considered it," says one big dairy group. "As soon as the volume warrants it," says another. Small wonder that Plysu and Blowmocan are anxiously keeping their prices down.

The carton manufacturers are largely immunte from that threat. The milk carton has its critics, if only because of its occasional habit of delivering its contents down the shirt front. But companies like Tetrapak are pioneers of an essential concept which much of the rest of the industry is only starting to grasp—the integrated packaging system.

These companies supply to the customer not only the cardboard for the cartons, but also a machine which will make, fill and seal the carton on the spot. This is much more convenient to the average dairy than a plastic container, which bas to be shipped in from the supplier and is then awkward to handle, fill and ship out.

But the dairies sre narrowly circumscribed. Many of their plants now offer the bizarre spectacle of the same milk being filled on three incompatible lines, into glass bottles, cartons and four-pint containers. This is a source of much grief to these companies. But what the retellers want, they get.

There is another twist to come. The plastic manufacturers are about to confront the carton makers directly in the two-pint market, with Plysu already selling on test in supermarkets and Blowmocan ebout to follow suit. As one dairy executive ruefully puts it, "there isn't the pressure from the retailers for the two-pint bottle yet, but there probably will be. Then it ooly takes one hig dairy company to bow to thet pressure, and it'll heppen."

There remains, though, the central question of how far the milk market will continue to move off the doorstep and into the supermarket. One snag here is that if tha doorstep system in the UK were to go the way of other countries, milk consumption would fall.

"The supermarkets will never get 100 per cent of the market as it is now," says Tesco. "There's no way we could cope with the volume. We ourselves have upped our milk sales by a factor of three or four in the past five years, and already some of our units are starting to creak at the corners."

The ideal outcome, perhaps, would be that obtaining in Scotland—always a special case in the milk market. There, sales seem to have stabilised at around 50 per cent doorstep, 50 per cent retail, with little apparent loss of volume. Whether that can he repeated down south is another metter.

One set of companies seems set to lose whatever happens. These are the glass bottle makers — Rockware, United Glass, Canning Town Glass and the CWS. Though their combined output is still some 400m milk bottles a year, the decline continnes. There seems precious little they can do about it.

The glass-makers, after all, are beleaguered on all sides. Milk is only one prohlem; in beer and soft drinks, they are

Glass makers are beleaguered on all sides

losing ground to the PET bottle. Bnt whereas PET bottle manufacture is sufficiently tricky to make it worth the glass-makers' while to switch into it, their problem in the milk market is that carton making is too specialised, plastic bottle making not specialised enough. General peckaging manufacturers, sucb as Metal Box, are presently holding aloof from the milk market for just those reasons.

It would not do to write the glass-makers off. There will always be a market for the glass bottle, even though it will he smaller than it is now. But from the glass-makers' viewpoint, the depressing fact is that market forces heve taken the situation largely out of their hands.

Tuesday's Budget

A chance to choose the road to reform

By John Kay

THE 1985 Budget offers Nigel Lawson fewer nptions than be might at one time have hoped. But he can still choose—to do what is expected of him or to set the British tax system, if not to rights, at least on the road to reform.

The overall judgment—The Chancellor starts hy computing how much he can afford to "give away." The medium term financial strategy implies a target of £7bn fnr public sector borrowing in 1984-85. If the sums are done on the same hasis as at the time of the autumn statement, wbich implies an optimistic public sector pay target of 3 per cent, and modified for changes in inflation, exchange rates (boosting oil revenue) and interest rates since then, he should expect an outcome on unchanged policies of between £5bn and £6bn.

Ha could continue to be optimistic about pay, ad plan to sell £2bn to £3bn of public sector assets. He could raise a onceand for all hillion or so by adjustments to the timing of tax payments—as be did last year in accelerating VAT payments on imports. He could pad the contingency reserve and trim the allowanca for shortfsll, find some scope for tax cuts, and announce that be planned to sdd only £6bn to puhlic borrowing. He would congratulate himself on the tightness of bis housekeeping and bope that financisl markets and his Prime Minister would do the same.

Or he could announce thet tbe public sector accounts will et last discriminate properly between capital and current expenditure, and that be no longer helieves it prudent to spend whst yon raise by selling assets, being optimistic about prospective outgoings, or running round to tbe bank a little more frequently. He could recognise that control of public spending really requires e drive for hetter value for money in the four major areas of current public expenditure — defence, education, health and social security—rather than an annual round of trimming of tbe most flexible items in the budget.

He could also ecknowledge that there is nothing improper about borrowing for capital purposes so long as the returns on the investment are properly measured first and monitored afterwards. And if he is really concerned about the future burdens we are imposing on ourselves, and our children, be should give a fraction of the attention he gives the borrowing requirement to the future of tha state earnings releted pension scheme.

Direct and indirect taxes: The Chancellor wants to continue to move from taxing income to taxing expenditure. He could tax newspaper advartising (£25m); and back off taxing books and newspapers (powerful lohbies in opposition), luxury foodstuffa (impossihle to frama e sensihla definition) and non-residential construction (he has to abow be can stand up to pressure from Brussels).

Or be could impose a 5 per cent tax on commodities currently zero rated (including food and fuel) increasing the RPI by 1.5 per cent-2 per cent but raising £5bu in a full year and still leaving these items relatively more favoured than before the standard rata of VAT was raised to 15 per cent in 1979. With the proceeds he could raise income tax allowances and benefits by more than sufficient to protect the poorest housebolds. He could announce a target of 20 per cent general rate of VAT, raising almost one-third of total government needs and more than halving wbat would need to be obtained form income tax.

The poverty trap. The Chancellor is anxious to relieve the poverty trap—by which low income bouseholds find themselves no better off wben they increase their earnings—and the unemployment trap—which may leave them little better off when they find a job. He could announce an increase in tax allowances 10 per cent above the rete of inflation—costing £2bn and taking 500,000 people out of income tax altogether.

Or be could announce some preliminary results from his colleague's benefit reviews. These should inclnde the assimilation of income tax and national insurance contribntions, and the integration of tax with a revised system of mean-tested henefits particularly directed towards benefits for children. This would ensure that state belp to low income working households was both greater and more efficiently targetted than at present—the only way in which the interrelationships of tax and social security can he effectively rationalised.

Tax and the family. The Chancellor could announce thet he is still considering the representations he received in 1981 on his predecessor's green paper on tha anachronistic tax treatment of bushand and wifa. Or be could decide that he agrees with the theme of almost all of these submissions—that the married man's allowance should be phased out. This could be replaced aither by a system of joint taxatinn with allowance transferahle between spouses, or by individual tax allowance against individual earnings with household responsibilities acknowledged by higher levels of child henefit.

Taxation and savings. The Chancellor is concerned to reduce the fiscal advantages of saving through institutions, and to stimulate individual boldings of shares and property. He could reduce or abolish tax on long term capital gains and lighten the burden of capital transfer tax, so encouraging all small savers with capital gains of over £5,600 per year and total assets of over £64,000—the ones who gained last year from the ebolition of the investment income surcharge. He could raise some hundreds of millions from a raid on the assets of occupetional pension schemes, and hope that by some alchemy the money would find its way back into personal saving.

Or he could give tax relief on £500 per year of personal investment in equities. If 2m people took it up—matching the reception of tha similar getaway last year in the British Telecom issue—the total cost would he between £300m end £400m. This is half the current revenue from capital gains tax, and not much more than the flotation costs of Telecom.

Tax reform strategy. The Chancellor could announce a continuation of the existing procedures for determining tax policy — annual ad hoc expedients, of ever increasing complexity enlivened by e few rabbits pulled from tha hat each Budget day. Or he could announce e strategy for long-term tax reform end simplification—one eccompanied by proper planning, necessary transitional errangements and adequate consultation.

The author is Director of the Institute for Fiscal Studies.

Letters to the Editor

The state of Europe

From the Industry and Technology Officer, London Office, Commission of the European Communities

Sir,—Following M Ribond's article (February 27) on European technology and Mr Rawe's letter of March 6, it may be helpful to summarise the view of the EEC Commission.

This is that Europe is dangerously failing to keep up with either our transatlantic or our transpacific neighbours.

For example, eight out of 10 of our personal compnters come from the United States and nine out of 10 video cassette recorders come from Japan. For silicon chips end other basic components of the information revolution we are beavily dependent on imports. Our biotechnology is falling behind and our comparative weakness in space development is well known.

Division and fragmentation are crippling the home European technology market and depriving us of the strength to contend in the world market with our more united American and Jepanese competitors.

Our advanced industrial status, together with the millions of viahle new jobs we so desperately need, depends on the swift liberalisation of the market and on agreeing common technical standards. We also need much more collaboration, Airbus-style, between member states and their scientific and industrial establishments.

Jacqnes Delors, the new Commission president, has pnt it this way: "What we lack, apart from a certain degree of self-confidence, is the benefit of scale and the multiplier effect. This can only result from e more united and more integrated Europe." Ha went on to say, bowever, that "It will not be possible to mohilise firms, researchers and workers unless they are aware of the vital interest of the Europesn dimension and themselves become the instruments of change."

There ere signs that the lesson is at last being taken to beart, if slowly and painfully. Will it be learned in time?

Robert Sheaf,
8, Storey's Gate, SW1.

Tax effective investment

From Mr J. Piper

Sir,—I must take issue with Mr Hill's statement (March 9) that the 100 per cent initial industrial building ellowance will he availeble after Mercb 26 from very small workshops (up to 1,250 sq ft). The legislation in the 1984 Finance Act is extremely complex and it is not, therefore, surprising that it has been misunderstood.

The provisions of paragraph 1(3)(b) of Schedule 12 of that Act indeed indicate that when an unused building is purchased this will attract initial allowances at the rate applying when the building was completed. Section 58(4), bowever, clearly states that paragraph 1 does not apply to the "continuing operation" of the 100 per cent IBA from very small workshops.

It is, therefore, the case that March 26 is the final date for this allowance and taxpayers who leave matters until later will find they have missed the boet.

John R. S. Piper.
Bromhard Financial Services, 32, Waterloo Street, Hove, E. Sussex.

Business rates in city centres

From Mr A. Hollway

Sir,—Local government finance, throngh the rating system, is now out of control in certain city centres. This has arisen, partly through the sbolition of the husiness vote, but mainly through the population drift to the suburbs; leaving an increasing rate hurden on tha husiness aector who bave no say in how the money is spent.

Local government funding is no longer democratic, with on average about balf the finance coming from central government and one-quarter from local husiness. Tha remaining proportion which comes from the volera who live in the city centres is dilnted, as they ere often the less privileged members of eociety, who do not pay the full rate burden.

In this situation, the rating systam has become taxation without representation, with the self control mechanism of accountability no longer nperating. Indeed, you can't hlame the mejority of the local population vnting for e council which proposes extravagant spending schemes, freezing council house rents end giva "decoration allowances," if they don't have to pay the costs themselves.

The need to re-organise local government finsnce is now urgent. It would surely make sense to limit a local euthority's control over only that money raised from the domestic ratepayers who heve a vote. Commissioners could then he introduced, who would be responsihle for spending central government funds on education, police, health, welfare and possihly specific road developments. It would be necessary for the Government to increase company taxation, thougb maybe not to the full extent of the previous business rate level.

Alan C. Hollway,
W. F. Hollway & Bro.
42 Grafton Street, Liverpool.

The cost of job creation

From Mr D. Lloyd.

Sir,—I note with interest a report (February 26) of the meeting between the construction industry's "Group of Eight" and Government ministers which emphasised the unanimous opinions of the whole of the construction industry concerning the Government's attitude to investment.

At the centre of the argument are these ridiculous figures quoted for the cost of job creation of between £35,000 and £55,000 per job. In contrast to this the Federation of Civil Engineering Contractors maintains that the cost is nearer £10,000.

My company is deeply involved in contracts fnr repairs to precast reinforced concrete nousing and an analysis of the costs involved in this type of work show it to be e maximum of £9,000 and this takes no account of the valne edded to tha properties repaired.

A similar argument was recently voiced hy Cliff Chetwood, chairman and chief executive of Wimpey, where he quoted a net cost to tha Exchequer of as little as £2,300.

These enormous discrepancies can no longer go unchallenged in view of the fact that Government appears to base its whole investment strategy on the higher figures.

I therefore urge the "Group of Eight" to produce its evidence in the strongest possible way in time for the next meeting which is scheduled for April.

D. D. D. Lloyd.
Score House,
Hitchen Hatch Lane
Sevenoaks, Kent

Professions must compete

From the Deputy President, Institute of Chartered Accountants

Sir,—We absolutely agree with Michael Prowse (March 11) that "professions must compete too." We already do, vigorously. There is no restriction on the nse of the term eccountant; husinessmen are free to retain the services of anybody offering accountancy services, wbether a member of a professional body or not. We operate in highly competitive markets for mucb of our work. Andit alone is reserved because the Government wants effective safeguards to protect the interests of shareholders in public companies. But eudit itself is the subject of intense competition with thousands of firms competing for business without restriction. Our members now advertise and promote all their services strongly.

But Michael Prowse should not ettack our entry standards. Our pass rates bave not gone down in the past decade; they have gone up. Our exams have hecome tongher solely because our clients expect more. And as for artificially limiting numbers, the numbers of this body alone have risen by 60 per cent since 1970.

We continually review our syllebuses to ensure they are all relevant to what husiness and commerce needs. We are looking in particular now at bow to reduce the volume of knowledge demanded of the newly qualified, and yet ensure that they have the necessary knowledge and sufficient flexihility of mind to allow them to adapt to a changing environment throughout their working lives.

Brian Jenkins.
Chartered Accountants Hall,
Moorgate Place, EC2.

Export credits guarantee

From the Finance Director, Thomas Mercer

Sir,—I refer to the Export Credits Guarantee Department's proposal to pbase out the comprehensive hank guarantee scbeme and its letter to users on this topic.

As is usual on such matters no detail is given to justify the decision. How are tha cumulstive losses of £70m hroken down year by year over past decade? What is tha total value of the guarantees covered by the 900 "small" British companies? What annual income is specifically created by the scheme? How have the losses arisen? What do they include? How are administrative costs allocated to this scheme?

Frank Gray's article (March 5) mentions thet losses include shipment performance failures of UK Exporters and Third World importers of UK goods. Surely such losses are credit insurance claims financed separately from the CBG scheme. The CBG is short-term revolving finance varying within agreed limits eccording to changing level of the company's exports with a guarantee to the hank financing the edvances and coupled with a snbsidised interest rate.

ECGD mentions the "increasingly expensive edministration" as a factor. This is lsrgely of its own making and could be reduced by simplification of the paperwork involved.

B. G. Strand.
Eywood Road,
St Albans, Herts.

FINANCIAL TIMES
Wednesday March 13 1985

Robert Mauthner in Geneva looks at the resumed nuclear arms talks

Star wars threat to weapons limitations

THE nuclear arms control talks between the U.S. and the Soviet Union started in Geneva yesterday *after a break of 15 months* on schedule, despite the death of Mr Konstantin Chernenko, the Soviet leader.

The biggest obstacle that has already surfaced is the Soviet insistence that the U.S. should abandon its research into space-based defensive weapons, President Ronald Reagan's *so-called star wars* project. Failing such an undertaking, the Soviet Union has threatened to block progress in limiting strategic and intermediate-range nuclear arms.

That the preoccupation with the U.S. star wars plans continues was virtually confirmed in remarks by Mr Viktor Karpov, head of the Soviet delegation and Moscow's chief negotiator on strategic nuclear arms, to journalists just before the opening of the talks at the Villa *Rose, which houses the Soviet* mission to the United Nations.

Mr Karpov said that Mr Mikhail Gorbachev, the new General Secretary of the Soviet Communist Party, had presided over the *meeting of* the Politburo, the top policy-making body of the Soviet Union, that had approved the instructions for the Geneva talks last Thursday.

However, apart from referring to Mr Gorbachev's speech on Monday, in which he had called for reductions of nuclear arms on earth and *in space and a "nuclear freeze,"* Mr Karpov gave no details of the instructions he had received.

The U.S. delegation was equally reticent after the first session, which lasted two hours 50 minutes and will be followed by further talks at the U.S. mission to the UN tomorrow.

Mr Max Kampelman, head of the U.S. delegation and its negotiator on defence and space arms, said in a brief statement that the two sides had "a serious and businesslike discussion" *of the issues at stake.* They also agreed on "the principle of confidentiality" and in keeping with that principle he declined to answer questions.

*Mr Kampelman was accompan*ied in the talks with the Russians by Ambassador John Tower, the U.S. negotiator on strategic nuclear arms, and Ambassador Maynard Glitman, the negotiator on intermediate-range nuclear weapons.

When the talks open, the Soviet and U.S. delegations will be splitting into three groups dealing with strategic arms, intermediate-range weapons and space-based systems.

The Soviet negotiators on the last two categories will be Mr Alexei Obukhov and Mr Yuli Kvitsinsky. Mr Karpov said he hoped to meet Mr Kampelman alone occasionally to take stock of the negotiations.

A serious difficulty is the Soviet insistence that the U.S. should abandon its research into space-based defensive weapons. Failing such an undertaking, the Soviet Union has threatened to block progress in limiting strategic and intermediate-range nuclear arms.

The U.S. has rejected such "linkage" and has emphasised *that its* main priority is deep cuts in offensive nuclear weapons and the medium-range missiles deployed by each side in Europe.

Mr Karpov refused to be drawn yesterday on whether the Soviet Union would accept only an overall agreement or whether partial agreements were possible in spite of Moscow's oft-stated official position. "Let us see how the talks go on," he replied enigmatically to a journalist's question.

Asked how it was possible to negotiate on space weapons when they were only in the research stage, Mr Karpov replied: "Everything is negotiable, if you want that. It can be done."

The negotiations are being monitored by a bipartisan group of U.S. *senators, chaired by Senate majori*ty leader Robert Dole and Senate minority leader Robert Byrd, who told a press conference yesterday that, although they would not take *part* in the negotiations, their aim was to keep the Senate as fully informed of their progress as possible.

Representatives of the European and U.S. peace movements, including Mgr Bruce Kent and Ms Joan Ruddock, respectively chairman and general secretary of the UK Campaign for Nuclear Disarmament, and Ms Petra Kelly of the West German Greens Party, called at a press conference for a pause in the arms race while the Geneva negotiations went on.

They also urged an immediate halt to further deployment of Pershing 2, cruise and SS-20 intermediate-range and strategic missiles and research on space weapons.

Chemical weapons warning, Page 2; Heath makes star wars *attack*, Page 6; Editorial comment, Page 16

THE LEX COLUMN

Chipping in for Sinclair

It takes a really awful set of UK money figures to rule out a Budget Day base rate cut a whole week in advance. So although banking February evidently saw rather more growth in the money stock than the market expected – probably because there was more arbitrage and less *funding* than most people thought – the ritual half-point may still be there next Tuesday.

Sinclair

The City of London is still full of people who wonder if Thorn EMI did not make a big mistake when it bought *Inmos at the top of the* semi-conductor cycle, so Sir Clive Sinclair's plan to leap into the production of wafer-scale chips must require strong nerves of everybody involved. Sir Clive's resources are smaller than Thorn's and the technological risks of his project probably greater than anything that Thorn took on. Inmos was, *after* all, a going concern with some products already in the market.

Moreover, wafer-scale circuitry is an idea which has already claimed one significant casualty in the U.S., so the type of proposition Sir Clive is offering the City has had its difficulties rehearsed in public. The participation of Robb Wilmot – *an ac*knowleged success in need of a fresh challenge – will, however, give the enterprise e managerial credibility that Sinclair Research could not otherwise have provided.

The sums required are large by the standards of UK venture capital. Even if it may be possible to get started with about £30m, that may exhaust the normal London sources of technology capital – hi-tech investment trusts and so forth. A visit *to the U.S. is strongly indicated,* despite the Trilogy experience.

As for the flotation of Sinclair Research, recent trading experience makes it perfectly clear why Sir Clive should now prefer to approach the City on another vehicle entirely. Various write-downs associated with home computers seem to have absorbed about half of trading profits, and it would not be sur*prising if pre-tax profits for the full* year were rather less than the £7.9m reported for the nine months to December.

Kleinwort, Benson

Though Kleinwort, Benson deigned to lift its petticoats just enough to show a flash or two of ankle yesterday, shareholders hoping to catch a glimpse of a knee will be disappointed. Inner reserves and *provisions for both bad debts and* the closure of its Bremen bank are undisclosed.

Still, it is good to see not just pre-tax profit, but a breakdown by activities – and more information can only help the share price.

Profits of £44.5m, up 37 per cent, were way above expectations and were clinched more *through clever* off-balance sheet deals than extra *lending*. The British Telecom flotation might have been expected to play at least a supporting role in such a profit performance. Not a bit of it: Kleinwort claims it only broke even on the Government's fee. This seems odd – there is no reason why KB *should* be *loss*-leading at such an advanced stage in its career as a privatiser.

Merchant banking is, nevertheless, by far the largest contributor to profits. KB seems to have carved out niches in fee-earning areas like interest rate and currency swaps and leveraged buyouts in the U.S. If it can earn a 3 per cent margin between its mortgage business and high interest cheque accounts personal banking must also be an attractive business.

There is no reason to suppose that 1984's bumper profits cannot be repeated, though growth this year should be somewhat less spectacular. Looking further ahead, the market seems to be taking a less than sanguine view of KB's prospects after the Big Bang – the shares, up 5p at 495p, stand on a prospective multiple of about eight.

William Collins

As befits a celebrated Bible publisher, the share price of William Collins moves in a mysterious way. Despite a higher tax charge and a recovery that has almost run its course, both voting and non-voting shares have been in the ascendant since the interim stage last September; and yesterday's 37.4 per cent increase in pre-tax profits for the year was good for another 15p on the ordinaries, which now trade at nearly 18 times earnings.

The figures for the year to December were good, although tax losses have been exhausted and £2.8m in deferred tax provisions have put a brake on earnings. But the purchase of the Granada im*print has* meant that Collins' printing plant is working at 90 per cent capacity and should go on trading profitably – especially if cheap sterling operations continue to attract printing *contracts* back from abroad. Australia is now on a tighter rein and should make a proper contribution, while interest payments will actually decline this year thanks to the issue of zero-coupon stock to 3i.

Yet while Collins hesitates to take the plunge in the U.S., what expansion there is this year will come chiefly from the move into retailing. Hatchards is, no doubt, eminently suited to export into prosperous suburbs and cathedral towns, but specialist book retailing does not usually attract a prospective multiple of around 18. Although Mr Rupert Murdoch's 41.68 per cent of the voting stock makes for both glamour and a thin market in the ordinaries, the non-voting shares, up 18p to 543p, are trading at an ever wider discount as if despairing of enfranchisement.

Central banks to boost Ecu role

By Peter Montagnon, Euromarkets Correspondent, in London

CENTRAL BANK governors of EEC countries have given their blessing to a package of measures designed to encourage the use of the European currency unit (Ecu), the Community's currency basket, as an official reserve asset.

Approval of the package at the bankers' regular monthly meeting at the Bank for International Settlements in Basle yesterday is widely seen as a further psychological boost for the Ecu, which has shown rapid growth in its share of private capital market transactions over the past year.

Although it will make the Ecu more freely available as a reserve asset, bankers do not expect the package to lead quickly to wide*spread switching of reserves held* by central banks from other currencies into Ecus.

For the first time the package will allow non-EEC central banks to hold official Ecus in their reserves. This is expected to appeal particularly to smaller European countries, such as Sweden and Austria, which are not EEC members but trade actively with it.

Remuneration on official holdings of Ecus, currently fixed at the weighted average of the discount rates for the component currencies, will be raised to a level closer to market rates, adding to the unit's appeal.

Finally, the package will make it easier for Ecus to be mobilised for currency intervention through a system of central bank swaps that *can be operated even when Euro*pean Monetary System (EMS) currencies are not at their floor or ceiling.

Approval of these moves by the central bankers does not mean they can be implemented immediately. They have still to be ratified at a meeting of EEC Finance Ministers in Palermo next month.

But it does mean that technical objections raised by a number of central banks when the measures were first proposed by the EEC Commission late last year have been overcome.

Quentin Peel adds from Strasbourg: M Jacques Delors, the presi*dent of the European Commission,* said it "may only be a small package but it is a symbolic one." He made clear his own support for further development of the EMS, to involve more support for private transactions in Ecus, and to include sterling in the exchange rate mechanism.

"*If the UK were to decide* to include the pound sterling in the EMS, this would be a powerful way of strengthening monetary co-operation, and developing the capital markets," he said.

EMS anniversary, Page 2

Kleinwort contributes to rescue fund of Johnson Matthey bank

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

KLEINWORT BENSON, the UK's largest merchant bank, has become the first to make a cash contribution to the Bank of England's fund to meet losses at Johnson Matthey Bankers (JMB), *which was rescued* from near-collapse last year.

Kleinwort revealed yesterday that it had made a payment of £1.7m ($1.85m) "on account" and expected to pay more as the full extent of JMB's losses became clear. It has pledged a total £7.5m to the £150m fund which will be available to *cover JMB's needs over* and above its £170m in reserves.

The contribution was made before the final report by accountants Price Waterhouse on the state of JMB's finances. Kleinwort said it wanted to take advantage of the tax benefits of including the payment in its 1984 accounts. Other banks *said* yesterday they were considering making payments for similar reasons.

The Price Waterhouse report is expected to show that JMB stands to lose £200m to £250m. Half the £150m *indemnity will come from* the Bank of England, which now owns JMB, and the rest from UK banks. All contributors will share, pro rata, in whatever profit the central bank makes when it comes to sell JMB off again, but Kleinwort said it had already written off half its contribution.

The banks have not yet formally signed the indemnity agreement because of the legal complications.

Kleinwort, which handled the record-breaking British Telecom flotation last year, also disclosed that its profits had soared by nearly 50 per cent to £30.3m after tax, but it denied that BT was the cause.

Mr Michael Hawkes, chief executive, said Kleinwort had achieved "breakeven at best" on the work. The bank has not disclosed the fee it earned, but it is believed to be about £4m.

Kleinwort intends to invest £50m in the new securities operation it is putting together with Grieveson Grant, the stockbrokers, to participate in the City of London financial revolution. This will be split equally between gilts and equity dealings. Mr Hawkes did not see any need for e rights issue to finance the venture, *which is one of the largest yet* announced.

Kleinwort also published a breakdown of its pre-tax profits. Mr Hawkes said greater disclosure would give people a better understanding of the group.

See Lex; Credit Suisse talks, Page 20; results and background, Page 29

Eurasbank lifts risk provision for Taiwan

By Jonathan Carr in Frankfurt

THE HAMBURG-based European Asian Bank (Eurasbank), which is 60 per cent controlled by Deutsche Bank, is setting aside greatly increased risk provision for 1984 to cover possible losses mainly on business in Taiwan.

It has also been revealed that two members of the Eurasbank's three-*member executive board, Herr Mi*chael Boehm and Herr Nikolaus Korsch, are leaving to take up other duties in the Deutsche Bank group.

Deutsche Bank confirmed that risk provision would be boosted and that the Eurasbank owners would help with an injection of funds, but gave no figures. It rejected speculation that the possible *losses* might be as high as Eurasbank's capital reserves of DM 410m ($122m).

Apart from Deutsche Bank, Eurasbank's owners are Creditanstalt Bankverein of Austria (22 per cent), Société General de Banque of Belgium and Amsterdam-Rotterdam Bank of the Netherlands (each 9 per cent). *It* has branches or offices in 14 Asian and Pacific countries.

Eurasbank, which has its origins in the Shanghai-based Deutsch-Asiatische Bank formed in the last century, has grown very strongly in the past decade or more. In 1983 alone business volume rose 35.7 per cent to DM 10.7bn while total assets grew 35 per cent to DM 8.4bn.

The growth has been boosted in D-Mark terms because of the appreciation of many Asian currencies in *line with the U.S. dollar, but* it is also understood that since Deutsche Bank acquired majority control through e reorganisation of ownership in 1983 it has been applying its own particularly tough standards to the judgment of credit risks.

This has resulted in the increased provision for 1984 and to differ*ences over business policy which* have caused the management revamp.

U.S. warns of escalation in row over subsidised exports

BY STEWART FLEMING IN WASHINGTON

THE REAGAN Administration yes*terday stepped up its efforts* to resolve the long-running dispute over what restrictions should be placed on mixed credits – exports subsidised with foreign aid funds.

Mr David Mulford, assistant Treasury secretary for international affairs, accused France of trying to "blackmail" the U.S. into altering its *negotiating* position and of blocking an agreement which most of its partners in the EEC would like to see.

He warned that Congress was in the process of creating a $1bn war chest" which the U.S. could use to subsidise mixed credits.

The Administration previously made it clear in its budget message to *Congress* that it *did not want* to provide finance for mixed credits, and it has sought the elimination of the Export-Import Bank's direct lending programme.

Mr Mulford accused France of blocking agreement on limits to mixed credits and warned that unless the issue could be resolved at a *meeting now going on* in *Paris* "there will be an escalation to ministerial level" when ministers of countries in the Organisation for Economic Co-operation and Development meet next month.

He said progress had been made in improving both the transparency and definition of mixed credits, but there had been no progress in es*tablishing new procedures for curb*ing their use. The U.S. would like to see a ban on all tied aid credits when the concessional element in the export finance was less than 50 per cent of the financing package.

Currently the limit is 20 per cent, e level which it is felt is tantamount to subsidising normal commercial transactions rather than aid flows.

He said the U.S. had indicated a willingness to move to e lower level than 50 per cent and e phased transition, without putting any specific proposals on the table because "the ball is in their (the EEC's) court."

Sinclair plan for advanced semiconductors

Continued from Page 1

finance after the plant had started production.

He believes the wafer-scale integration project would give Britain a substantial lead in microelectronic technology. The wafers, which theoretically store more than 1m words of text, would be sold to com*puter companies for* mass *memory*

He plans to use a similar product in a portable computer to be launched next year which will also use flat-screen television technology.

Mr Wilmot said yesterday: "ICL will still occupy a major part of my time." He is currently developing a strategy for STC and ICL to exploit the convergence of computer and telecommunications technology.

UK suppliers must try harder, says Nissan

BY KENNETH GOODING IN LONDON

BRITISH *companies* are *not trying* hard enough to win contracts to supply equipment for Nissan's new car plant at Washington, Tyne and Wear in north-east England, the Japanese group claimed yesterday.

UK-based companies have been awarded 70 per cent of equipment contracts placed so far, said Mr Ian *Gibson, recruited from Ford by Nis*san to be purchasing director for its UK manufacturing subsidiary.

To encourage more companies in Britain to tender for business, however, Nissan will be contacting more than 30 potential equipment suppliers on its own initiative over the next four months "to see what *possibilities* exist for bringing even more business to UK companies," Mr Gibson added.

He said he had been "*impressed* by the positive attitude of all our new UK suppliers. But I have also been surprised that more British companies have not had e longer-term outlook in looking for orders when they are facing such very strong competition from continental (European) suppliers."

*The first phase of the Nissan pro*ject calls for capital expenditure of about £50m ($54.5m) for an assembly facility to produce 24,000 cars a year, medium-sized models in the same category as the Stanza. The company has indicated, however, that it will almost certainly move to the second phase, involving a pro*duction plant for about 100,000 cars* a year and capital expenditure of some £300m.

Chrysler plans new small car

By Terry Dodsworth in New York

CHRYSLER, the U.S. car manufacturer, *is planning to rush out* a small car within the next three years despite its decision to increase its tied imports from its Mitsubishi affiliate in Japan.

Mr Lee Iacocca, the group's chairman, revealed in New York that Chrysler's target was to have its new import-fighting sub-compact on the market before General Motors' proposed new Saturn vehicle is launched. This timing suggests that the Chrysler car will be ready in 1987 or in early 1988.

It has been known for some time that Chrysler, like Ford, was working on a rival product to the new GM vehicle, which is designed to cut costs radically by new design and production methods. However, the U.S. Government's decision to lift the "voluntary" import restrictions on Japanese car imports cast a doubt over the Chrysler project.

Mr Iacocca attacked the Government's decision vigorously, saying that it was threatening U.S. jobs, and implying that small cars would have to be sourced outside the U.S. in future. The company immediately announced that it would increase imports from Mitsubishi by 200,000 vehicles in addition to last year's 87,000, and said it would direct its investment to premium and medium-sized cars.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	12	54	Dubrovnik	C	11	52	Malaga	S	16	61	Salzburg	S	4	39
Akrotiri	S	19	66	Faro	S	18	64	Malta	F	17	63	Seoul	F	6	43
Algiers	R	11	52	Florence	C	15	59	Manila	S	35	95	Singapore	F	31	88
Amsterdam	S	6	41	Frankfurt	S	6	43	Miami	C	26	79	Stockholm	C	4	39
Athens	F	12	54	Funchal	F	17	63	Milan	C	7	45	Strasbourg	F	5	41
Bahrain	S	19	66	Geneva	S	4	39	Moscow	C	-3	27	Sydney	S	26	79
Bangkok	S	35	95	Gibraltar	S	16	61	Munich	C	0	32	Taipei	R	15	59
Barcelona	F	8	46	Guernsey	S	7	45	Nairobi	S	26	79	Tangier	S	18	64
Beirut	S	18	64	Helsinki	C	2	36	Naples	F	12	54	Tehran	—	—	—
Belgrade	F	3	37	H. Kong	C	15	59	New Delhi	S	31	88	Tel Aviv	S	23	72
Berlin	S	3	37	Innsbruck	F	4	39	New York	F	15	59	Tenerife	S	22	72
Biarritz	C	7	45	Inverness	C	9	48	Nice	S	12	54	Tokyo	C	8	46
Blackpool	C	6	43	Istanbul	F	6	43	Oporto	S	16	61	Toronto	C	9	48
Bordeaux	C	5	41	Jersey	F	7	45	Oslo	F	3	37	Tunis	C	15	59
Brussels	F	3	37	Jo'burg	F	24	75	Paris	S	7	45	Valencia	F	13	55
Budapest	F	4	39	Las Palmas	S	22	72	Prague	S	3	37	Venice	R	9	48
B. Aires	F	30	86	Lima	C	26	79	Reykjavik	Sn	1	34	Vienna	S	3	37
Cairo	S	23	73	Lisbon	S	14	57	Rio de J'o	C	35	95	Warsaw	S	1	34
Cape Town	S	24	75	Locarno	C	7	45	Rome	—	—	—	Zurich	C	2	36
Caracas	C	28	82	London	S	9	48								
Casablanca	S	17	63	Los Angeles	F	19	66								
Copenhagen	C	0	32	Luxembourg	S	4	39								
Corfu	C	13	55	Madrid	S	11	52								
Dublin	C	9	48	Majorca	F	10	50								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

EEC farm cuts battle

Continued from Page 1

sue of the so-called Integrated Mediterranean Programmes (IMPs) which has already exercised heads of government and foreign ministers on several occasions threatened to scupper agreement at several points.

The Commission has proposed that the *IMPs*, designed *to give* loans and grant aid to farmers in the south of the Community to help them improve their efficiency, should take three forms: Ecu 2bn worth of new grant aid, Ecu 2.5bn worth of loans from the European Investment Bank and an unspecified amount from the Community's regional, social and farm structure funds.

Greece insisted at first that none of the IMPs money should be included under the structural fund for discussion.

But northern EEC countries led by *Britain and the Netherlands* were adamant that some of the Mediterranean cash should be incorporated within the Ecu 5.25bn ceiling, effectively reducing the amount of "new money" that farmers in Greece, Italy and France could expect to receive.

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SECTION II – INTERNATIONAL COMPANIES
FINANCIAL TIMES
Wednesday March 13 1985

ComputerLand told to give up 20% of assets

BY LOUISE KEHOE IN SAN FRANCISCO

A CALIFORNIAN court has ordered Mr William Millard, founder and owner of ComputerLand, the world's largest computer retailer, to hand over more than one third of the company's shares to settle a nine-year-old $250,000 debt.

Mr Millard has been ordered to hand over 20 per cent of his assets to Micro/Vest, a group of investors, which *holds* the debt, after a bitter contest for control of the computer store franchising operation.

Lawyers for the debt-holders said yesterday that 35.2 per cent of ComputerLand's stock and 48 per cent of ComputerLand Europe, a subsidiary, would be turned over to the group.

A representative of Micro/Vest said that the group plans to sell its stock to the public. ComputerLand has 611 stores in the U.S., and 58 in Europe, as well as about 100 in other parts of the world.

The company had revenues of $1.4bn last year. The privately held company is 97 per cent owned by Mr Millard and his family. Mr Millard recently appointed his 24-year-old daughter as *president* of ComputerLand.

Mr Millard was not available for comment yesterday. An official for ComputerLand said that he and the company were declining all comment until the final phase of the law suit was complete. Yesterday, the court began consideration of tha award of punitive damages and legal fees.

According to court records, Mr Millard started a computer-consulting firm in 1972. One of its subsidiaries sold some of tha earliest personal computers. in 1976, Mr Millard borrowed $250,000 from a Massachusetts investing firm to bail out the failing company.

The loan was guaranteed by 20 per cent of Mr Millard's assets.

In 1979, the loan was purchased by Micro/Vest, a group led by Mr John Martin-Musumecci, a former ComputerLand employee, who claims to have come up with the original idea for computer store franchising. Commenting upon the verdict on Monday, Mr Martin-Musumecci said: "Our intention is to go pubbic to allow the company to be run on different rules than those of Millard."

Twentieth Century Fox expects new funds and extended credit

TWENTIETH Century Fox Film, the financially troubled U.S. film studio, said it expected to receive more than $170m in new funds, including a $50m equity infusion from Mr Marvin Davis, the studio's owner, AP-DJ reports *from Los Angeles*.

The studio said it was in "final negotiations" to receive an advance of about $120m from CBS/Fox, the company's home-video venture with CBS.

Fox also said a group of seven banks, led by Continental Illinois National Bank & Trust of Chicago, had agreed to extend the studio's credit line for an additional three years.

It is understood that part of Mr Davis's cash contribution may be used to pay certain borrowings by TCF Holdings, a personal holding *company through* which *Mr Davis* owns Fox.

The balance of Mr Davis's $50m contribution should bolster Fox's net worth, which slipped from $377m in 1982 to about $52m at November 24, when tha studio last reported its financial results. Mr Davis *had drawn large amounts* of money out of the studio to pay acquisition debt carried by his holding company.

Fox has recently been seeking new funds to support a film and television production programme planned by Mr Barry Diller, chairman and chief executive. Mr Diller joined Fox last summer after resigning as chairman of Gulf & Western Industries' Paramount Pictures unit.

In its first quarter to November 24, Fox posted a $42.4m loss. Revenue dropped 22 per cent to $164m from $209m because of the poor *box-office performance of* the studio's films and a sharp fall in the number of Fox-produced episodes shown on network television.

● Walt Disney Productions named a former executive of Paramount Pictures as president of its motion pictures and television division.

In assuming the post, Mr Richard Frank, 42, succeeded Mr Jeffrey Katzenberg, 33, another former Paramount executive, who was promoted to the newly-created position of chairman of the division.

Mr Frank had been president of Paramount's television group before leaving the studio late last month.

Mr Michael Eisner, chairman and chief executive of Disney, was a former president of Paramount, and resigned his post there after being passed over for the chairmanship last autumn. He was named to head Disney two weeks later, and has *since been* joined by several of Paramount's top managers.

Unicorp nears utility takeover

By Bernard Simon in Toronto

UNICORP Canada, the Torooto-based real estate and financial services group, has moved closer to winning its fiercely-contested bid to take over Union Enterprises, the Ontario gas utility by acquiring a *clear* majority of *Union Enterprises'* outstanding common shares.

Tha question of Unicorp's control is complicated, however, by Unioo Enterprises' controversial purchase last week of Burns Foods, a leading Canadian food processing company, which Unioo Enterprises paid for by issuing 8m new convertible preferred shares with voting rights.

Unicorp said yesterday that it bad taken up 51 per cent of Union Enterprises' common shares on the expiry of its offer of Unicorp preferred shares and warrants to Union Enterprises' shareholders. If the 8m new Union Enterprises shares are included, however Unicorp owns only about 43 per cent of the utility's shares. Unicorp has extended its offer, valued at a total of around C$400m (U.S.$287m) until Friday in an effort to increase its stake in Union Enterprises.

The struggle for control of Union Enterprises is one of the most bitter takeover battles in Canada in recent years, pitting a long-established and conservative utility against a fast-growing and aggressive company viewed by many members of the Toronto business establishment as an upstart. Unicorp's assets are only about a third of those of its target.

Unicorp has asked Canadian stock exchanges to review Union Enterprises' purchase of Burns Foods, arguing that the utility's directors and management failed to consider the interests of their shareholders. At the time of the acquisition, Unicorp already held 38 per *cent* of *Union Enterprises'* shares.

Goldsmith buys 8.6% of Crown Zellerbach

BY WILLIAM HALL IN NEW YORK

SIR JAMES Goldsmith, the Anglo-French financier who has become one of the more active predators on Wall Street, has takeo a 8.6 per cent stake in Crown Zellerbach; in a move which could lead to a battle for control of the West Coast forest products group.

Sir James' Hong Kong company, General Oriental Investments and two affiliates, disclosed the staka in a filing with the U.S. Securities and Exchange Commission and revealed that they had been cleared by the U.S. anti-trust authorities to increase their stake to 25 per cent if they wish.

Wall Street has beeo rife with speculation about Sir James' intentions ever since Crown Zellerbach disclosed in mid-December that the financier bad filed plans to take a *stake of between 15 per cent and* 25 per cent in the company.

The company then said that it did not regard the planned share purchases as beneficial or in the best interest of Crown Zellerbach, its employees and customers or the communities in which it does business.

Since Sir James' interest was first disclosed Crown Zellerbach shares have riseo by more than a fifth. Early yesterday they rose by another $\$\frac{5}{8}$ to $\$37\frac{1}{8}$, valuing the company at around $1bn.

Sir James Goldsmith

General Oriental said in the filing *that it has not made any decision* to seek cootrol of Crown Zellerbach or representation on its board. However, the group might pursue various courses of action "depending on developments and such factors as they consider relevant."

These alternatives might include seeking control of the company, board representation, proposing a merger, or influencing management policy.

The SEC filing also says that the *investor group might seek redemption* of certain stock purchase rights which Crown Zellerbach has issued shareholders. The company is one of several takeover targets which have adopted the controversial "poison pill" defences which allow its shareholders, in the event of an unsolicited takeover bid, to exercise stock rigbts that severely dilute the value of the surviving company. Sir James is one of the most vocal critics of such defences against unwelcome takeovers.

Sir James is no stranger to the U.S. forest products industry which he believes is the homa of some of the most undervalued companies in America. In 1982 be acquired Diamond International, and has since sold off a large part of its assets. Last year be went after St Regis and the Contineotal group and although his interest was rebuffed he made a handsome profit on his investments.

Crown Zellerbach is the sort of target Sir James is said to like if he can overcome its formidable anti-takeover defences. It has been buffetted by the recessioo and has bad a lacklustre earnings performance. *Last year* it earned $86.9m on sales of $3.1bn, after taking a $30.1m fourth quarter charge covering restructuring costs.

Evans files for creditor protection

By Terry Dodsworth in New York

EVANS Products, a U.S. building and industrial products group which is part of the expanding empire of Mr Victor Posner, the Miami-based finanicer, filed for bankruptcy yesterday under the Chapter 11 proceedings.

Evans said yesterday that the bankruptcy petition represented the "culmination of problems which pre-date the present management" – a *reference to the fact that Mr* Posner only acquired his interest in the company in 1983.

It added that it was in discussion with its lenders on a request for about $50m of financing to support its retail operations, and that it expected hearings to be held in the next few days.

Evans' problems have been evident for some tima after an acquisition of a lumber group in the late 1970s left it with heavy debts at a time when interest rates moved against it. Last month, it failed to renegotiate a loan of about $600m

The Chapter 11 proceedings, which do not affect the Evans transportatioo operations, will give the group protection from its creditors while it seeks a more permaneot settlement of its problems.

Ambrosiano achieves interim profits

BY ALAN FRIEDMAN IN MILAN

NUOVO BANCO Ambrosiano, the successor bank to the defunct Banco Ambrosiano, yesterday announced a L1.1bn ($525,000) net profit for the six months to December 1984. This compares with a break-even result for the 12 months to last June.

It also emerged yesterday in Milan that the pool of Veneto region private banks who last month bought the 16.67 per cent stake in Ambrosiano held by the IMI state medium-term corporate finance institution have purchased another 5 per cent of the bank, bringing their stake to nearly 22 per cent.

The 5 per cent was sold by Credito Emiliano, a private bank which had a total of 10 per cent. This means that Nuovo Ambrosiano is now 67 per cent owned by private banks. When the bank was formed in 1982 it was 50 per cent state-owned.

Dr Pierdomenico Gallo, chief executive of Nuovo Ambrosiano, said that after the exercise of share warrants in May – which should increase the bank's capital by L150bo – the share of private ownership should rise to 75 per cent.

Tha significance of the manoeuvres by the Veneto banks is that the same institutions were last summer blocked by the Bank of Italy in their attempt to secure control of La Centrale, the Ambrosiano financial subsidiary which controls, the lucrative Banca Cattolica del Veneto. Now a similar Veneto consortium is back, having bought their way into Nuovo Ambrosiano instead.

Dr Gallo said that Cattolica last year made a oet profit of L57.3bn, up from L51bn in 1983. This was after writing off L25bn in connection with the liquidation of the old Banco Ambrosiano Holding (BAH) in Luxembourg, which acted as a clearing house for certain loans and transfers by the late Sig Roberto Calvi, while Banco Ambrosiano chairman to South America.

INTL. COMPANIES & FINANCE

Allied Investors plans to sell 6.8% stake in parent

BY DAVID DODWELL IN HONG KONG

ALLIED INVESTORS, the quoted associate of *Wheelock* Marden, the Hong Kong shipping and property group currently the subject of a bid contest valuing the group at HK$2.5bn (U.S.$320.5m) yesterday revealed plans to win shareholder approval to sell a 6.8 per cent holding in *its* parent.

Allied is itself the subject of a HK$322m cash bid from Hongkong and *Wowloon Wharf* and Godown Company, one of the two groups fighting to win control of Wheelock.

Kowloon *Wharf* has in *the* course of a bid contest which began a month ago won control of 45 per cent of the voting rights *in* Wheelock. *If it* managed to acquire Allied's Wheelock stake, it would make victory certain. Pitched against *Kowloon* Wharf, controlled by Sir Yue-Kong Pao, is Tan Sri Khoo Tech Puat, a singapore-based financier.

In another twist, it became known yesterday that Kowloon Wharf has forced Wheelock to call an extraordinary shareholder meeting in an effort to press home demands for representation on the Wheelock board.

The request for seats on the board was first made a week ago, was rebutted. This decision to press ahead is understood to be due to anxiety that paralysis on the Whehelock board is putting the group in jeopardy.

Wheelock Maritime, the *group*'s shipping subsidiary, last week called for a financial review of its operations following an announcement that it was in a "critical financial position." *The Marden boar don* the same day refused to extend "limited financial assistance."

Allied yesterday called its own extraordinary *shareholder* meeting on March 29 at which it will seek the right to sell its shareholding in its parent. Kowloon *Wharf has made* an offer, conditional only on acceptance by shareholders representing 50 per cent of the voting rights in the company.

Allied said yesterday: "The resolution does not commit the board to dispose of the shareholding, but merely ensures that there need be no delay if the board and its advisers decide that such a disposal would be in the best interests of shareholders."

Södra jumps 250% at full time

BY KEVIN DONE, NORDIC CORRESPONDENT IN STOCKHOLM

SÖDRA Skogsägarna, the lead*ing Swedish* supplier of market pulp, achieved a record profit last year with a jump in earnings of more than 250 per cent. The *group* has staged a dramatic recovery since the late 1970s when the Swedish Government stepped in to save it from *the brink of financial* collapse.

It ran up losses of more than SKr 1.1bn ($115m) from 1977 to 1982, but a radical restructuring and a boom year for the Swedish forest products industry has transformed its fortunes.

Profits after financial items last year jumped to SKr 1.07bn, an increase of SKr 770m or more than 250 per cent from 1983. Sales rose by 22 per cent to SKr 4.29bn, with around 73 per cent of sales coming from export markets.

Profitability was boosted by a combination of the strong international economy, a high level of competitiveness *achieved through two devaluations* of the Swedish krona in 1981 and 1982, the high U.S. dollar exchange rate and a good availability of timber.

However, profits are expected to fall this year as the result of the weakening of the pulp market, where prices have declined as a result of overcapacity and high stock levels.

● Holmens Bruk, Europe's biggest manufacturer of newsprint, increased profits by 14.5 per cent to SKr 300.7m in 1984 helped by a 13 per cent rise in sales to SKr 3.37m.

The group's operations are concentrated in newsprint and magazine paper and in contrast to many other forest products producers Holmens Bruk expects a further rise in profits during 1985.

Newsprint markets are strong and volume sales are expected to rise further above the level of 855,000 tonnes achieved in 1984, itself a rise of 11 per cent from 769,000 tonnes in 1983.

HAL recovers and sees strong cruise business

By Our Financial Staff

HOLLAND America Line reports a return to profits for 1984 and says a buoyant cruising business looks like underpinning at least maintained earnings for 1985.

Against a loss of Fl 26m, the group has made a net profit of Fl 11.6m ($3.1m). It plans to pay a divnidend of $6 a share. The last payment was $12 for 1982 from net profits of Fl 17.8m.

The turnaround reflects the start of service by the company's newest ocean-going passenger liner, "The New Amsterdam." Delays in initial delivery of the newly built cruise liner severely damaged the financial results in 1983, the *company said.*

HAL owns three vessels and operates cruise holidays and services from U.S. ports into the Caribbean, South America and Alaska. The bulk of the profits in 1984 were generated by turism, it said.

In expecting buoyant results from its tourism division this year, Holland America said that "at the least," it will match 1984 profits in 1985.

HAL is a privately owned, old established Dutch cruise line. It moved its operational headquarters from Rotterdam to Stanford in Connecticut, U.S., in 1977.

Credit Suisse in talks with West German bank

BY JOHN WICKS IN ZURICH AND CHARLES BATCHELOR IN LONDON

CREDIT SUISSE, Switzerland's third largest bank, hopes to take a controlling stake in Effectenbank-Warburg, a Frankfurt-based bank engaged in a broad rangeof banking business.

The Swiss Bank is understood to have begun talks with the two joint shareholders in Effectenbank, S. G. Warburg, the London merchant bank, and the Deutsche Effecten?Wechsel-Beteiligungsellschaft, a holding company controlled by the Voith group of Herdenheim.

No decision has yet been taken on whether to sell to Credit Suisse bu if a deal is agreed the Swiss bank is expected to end up with 100 per cent control.

Effectenbank had net interest income of DM 34.4m ($10.3m) in the year ended March, 1984 and commission and other service income of DM 25.2m. Other income amounted to DM 5.7m. The bank reported an unchanged net profit, of DM 3.37m.

The balance sheet *total* fell DM 163m to DM 1.65bn in 1983-84. Capital and published reserves amounted to DM 81m.

S. G. Warburg carries out a broad range of business on its own account in Germany which does not require the intervention of Effectenbank. The German bank has been developing in a way which makes it less interesting to S. G. Warburg.

Effectenbank has shut down its 17 retail branches to concentrate on wholesale business with a range of medium sized and small firms.

If the sale goes ahead this would be Credit Suisse's second purchase of a German bank this year. In January it bought Grundig Bank of Fuerth, with a balance sheet of DM 1.3bn from the Max Grundic Association.

Belgian bank increases net profits by 27.3%

BY PAUL CHEESERIGHT IN BRUSSELS

CREDIT GENERAL, the Brussels bank whose main thrust of operations is in southern Belgium, continued its steady growth last year with a 27.3 per cent rise in net profits over 1983 to BFrs 204.9m ($3m).

It is lifting its net dividend to *BFrs 110* from *BFrs 105* for 1983 on about 70 per cent of the outstanding shares. The balance of the shares, issued at a time of Government incentives for stock market investment, attract a net dividend of *BFrs* 196.75, compared with BFrs 56 for six months of 1983.

The bank was set up by Kredietbank, the major Flemish financial institution in Belgium, to serve the French-speaking part of the country, but the two often work together in international operations.

Last year its balance sheet total climbed 28 per cent to *BFrs 69.1bn.* Deposits went up by just over 17 per cent. But, reflecting the general experiences of Belgian banks, private sector lending climbed a modest 4.5 per cent against a 27.5 per cent rise in lending to the public sector.

Accounts shown by Vontobel for first time

By John Wicks in Zurich

BANK VONTOBEL announces net profits for 1984 of *SwFr 9.9m* ($3.5m) *and* proposes to pay a dividend of 12 per cent.

The results, the bank's first ever *published accounts, follow* Vontobel's conversion from a private bank partnership to an incorporated bank, together with *the creation* of an *umbrella* holding company.

The bank's capital resources of SwFr 60.7m are seen as large enough to permit further growth in the foreseeable future, so that there will be no need to go public, chairman Hans Vontobel said.

He added that offers by other banks to buy up minority shareholding had been declined. The Vontobel owns 95 per cent of the bank.

This year has started with two "exceptionally gratifying" months, *although* the year as a whole is seen as one of consolidation.

Norwegian smelter out of the red

By Fay Gjester in Oslo

STATE-OWNED Ardal og Sunndal Verk, Norway's biggest aluminium group, is paying a 16 per cent *dividend for 1984*, the first year since 1980 that it has not passed divideod.

After running at a loss for several years the group moved back ioto profit in 1983, but paid no divideod that year because the board wanted to rebuild equity.

Last year turnover reached NKr 5.7bn ($594m), compared with NKr 4.6bn in 1983, and profits before end year adjustments and taxes soared to NKr 1bn, from NKr 165m.

Amro rises 20% and pays more for year

By Our Financial Staff

AMSTERDAM-ROTTERDAM Bank has increased net profits by a fifth for 1984 and proposes to step up its dividend. Net profits emerge at Fl 252m ($66.8m), and the dividend is going up from Fl 3.50 a share to Fl 3.70. For 1983 the bank turned in n net profit of Fl 209m.

The 1984 performance, courtesy almost entirely of a much reduced tax charge, puts Amro some way ahead of its two main rivals, Algemene Bank Nederland and Nederland *Middenstands* Bank.

ABN improved net profit by just 4.5 per cent to Fl 401.8m and NMB emerged 8 per cent *ahead at Fl 108.3m.* Both banks were forced to maintain their dividends.

Loan loss provisions at Amro were trimmed by Fl 25m to Fl 950m. The figure for provisions, however, remains substantially greater than that at ABN and NMB which stood at Fl 625m and Fl 590m respectively.

Amro's gross profits for 1984 slipped to Fl 1.25bn, from Fl 1.3bn. The year's charge for tax is almost *halved at Fl 77.3m,* against Fl 140.1m for 1983.

The bank's total net assets closed the year at Fl 124.9bn, in contrast to Fl 122.6bn at the end of 1983.

Amro also announced yesterday that it has opened regional branch offices in the western U.S. and that it has set up an Indonesian leasing affiliate. Ahead of the easing of interstate banking laws, Amro has opened representative offices in Houston, Texas and in Los Angeles.

These offices initially will operate as branches of Amro's subsidiary bank in New York and will be able to take deposits and to extend loans and credits.

The bank has also set up its first leasing operations in Indonesia. The company's leasing business in the former Dutch colony will operate *through* a 50 per cent-owned affiliate, Amro Duta Leasing. The other half of Amro Duta will be held by Indonesia's *Bank Duta Ekonomi.*

Higher income and dividend at Wereldhave

By Our Financial Staff

WELRELDHAVE, the Dutch property group, reports improved results for 1984 and proposes an increase in the *dividend.*

The company, in which the Dutch PGGM pension fund is a major shareholder, says its direct investment result rose to Fls 48.8m ($12.9m) for last year, an increase of 18 per cent over the Fls 41.1m of 1983.

The profits upturn is allowing the dividend to rise to Fls 9.75 a share, from Fls 9.

Wereldhave has around 30 per cent of its property portfolio in the U.S. with some 40 per cent in the Netherlands. The rest is spread throughout Europe, notably in West Germany and France.

In the last published balance sheet group investment and development properties were valued at around Fls 1bn. This is the prime reason for the takeover activity that has surrounded Wereldhave in recent years.

A bid from PGGM has been on the table since May of last year. For its part, Wereldhave has strongly resisted all approaches, linin-up perference share issues and expanding rapidly in an attempt to remain independent.

INTL. COMPANIES & FINANCE

Legal and financial wrangles shake Pakistan hotels to their debt core

BY JOHN ELLIOTT RECENTLY IN KARACHI

A MAJOR shake-up of Pakistan's luxury hotel business is taking place against a background of legal and financial wrangles and mounting debts which include overdue interest of about $25m from four top hotels on $80m of Government loans.

The bad debts bave stemmed partly from unrealistic costings and financial assessments by banks in the 1970s, reflecting a larger banking problem in Pakistan which has caused concern among international agencies such as the World Bank. In addition, there have been lengthy financing and construction delays, inflation, and relatively low room tariffs.

Ownership changes include a take-over this yeer of four Inter-Continental hotels by Mr Sadruddin Hashwani, a Karachi businessman, from Government-owned financial institutions. Mr Hashwani already owns and runs two profitable Holiday Inns in the country.

Mr Byram Avari, another Karachi businessman, is in protracted legal battles with Hilton over management contracts, and wants to replace Hilton with Ramada as managers of a botel be has recently completed in Karachi.

Hotel Promotion Services, owned by the Aga Khan, is taking over four small Pakistan International Airlines (PIA) provincial hotels, and is building two more, in the cities of Quetta and Faislabad.

The hotels, which form part of a series of businesses and aid projects being developed by the Aga Khan in Pakistan, will all operate under the franchise of his Serena Hotels.

Pakistan's tourist business is in its infancy, and these four and five star hotels rely on business travellers for most of their trade. Tourist traffic has not recovered from Pakistan's closure of the Afghanistan borders as a result of the Soviet invasion. Hotel profits have also been hit by the prohibition of alcohol in 1977, which cut banqueting and other takings.

Tourism has a much lower priority in Pakistan than in neighbouring India, but the Pakistan Government now wants to expand gradually, starting with four and five star hotels.

The biggest financial failure is a 400-room botel startad in Karachi in the mid-1970s by local businessmen to be run by Hyatt, of the U.S. It bas been abandoned after disagreements between the Government and local promoters; only the concrete shell has been partially completed. There are $5m public sector loans outstanding. The project would cost an estimated $30m to complete, and has been turned down by several botel chains.

Karachi's newest botel—managed by Sheraton—was budgeted at $14m for 300 rooms with 448 rooms for $62m. Despite a high occupancy rate, bankers reckon that it is unlikely even to be able to repay its debts, which include $30m from public sector financial institutions on which $10m interest is overdue. A Pakistani promoter connected with the deal was arrested in Frankfurt on charges of smuggling beroin just before the hotel opened.

The Pakistan Banking Council is now trying to restructure the projects finances and to obtain some interest from the Kuwait Government, which is the majority shareholder.

Mr Avari's Hilton Hotel in Lahore, opened in 1978 at a cost of $12m, bas $2.5m outstanding interest on $10m of public sector bank loans, and is running at a loss despite 70 per cent occupancy last year.

Alleging he was not being treated as well as Hilton Hotel owners in some other Asian countries, Mr Avari tried to terminate Hilton's management agreement last May and obtained a court order ousting Hilton executives from the premises. This order was later reversed, and early last month a court order confirmed Hilton as the management organisation.

Meanwhile, Mr Avari is trying to terminate a Hilton management contract for a new $32m hotel he has just completed in Karachi, and has agreed a new management contract with the Ramada hotel group. The row is delaying the opening of the hotel, on which there are public sector loans of $35m, with outstanding interest estimated at close to $10m.

Mr Byram Avari: hotelier in protracted battles.

The Inter-Continental chain is owned by Pakistan Services, and consists of four botels totalling 850 rooms built in the 1960s, in Karachi, Labore, Rawalpindi and Peshawar. Pakistan Services became part of the public sector in 1972 with the nationalisation of Pakistan's banks, which beld 40 per cent of the equity, another 22 per cent bas been held by the Government-owned PIA.

Inter-continental sold a minority equity stake in 1982 to a Dubai banking family. The other minority partner is the Allied Industrial group of Karachi, owned by the Haroon Family. Last year, the Government decided to sell its combined 62 per cent held by the banks and PIA because the hotels needed expensive modernisation. The Haroon family's Allied group submitted the first lowest eligible offer of PRs46.50 a share. In negotiations it raised this to PRs 55.50. It was beaten by PRs 56 from Mr Hashwani, the owner of the country's two Holiday Inns, in Karachi and Islamabad.

The Haroon family unsuccessfully argued that it should be declared the winner, complaining that Mr Hashwani would be in a monopoly position, owning six of Pakistan's top nine hotels (The other's being Mr Avari's two Hiltons and the Karachi Sheraton).

The Haroons lost, at a time when their family was out of favour with the Government because one of its leading figures Mr Mahmood Haroon had just resigned as Interior Minister, after disagreements with General Zia ul-Haq, Pakistan's Martial Law President.

Mr Hashwani now wants to take over the management for Inter-Continental, which will be offered a franchise agreement. He is planning to spend $10m modernising the properties.

SCHLUMBERGER LIMITED

The Statement by the Chairman and Chief Executive Officer, Mr. J. Riboud

A year ago, I had the difficult task of reporting lower earnings for Schlumberger, the first time in twenty years. Nineteen eighty four was not a year without thorns and pcoblems. I am happy to report that earnings of Schlnmberger bounced back. Nothing spectacular, but earnings per share and revenue increased 10%. Yet, in the face of all the pessimism surrounding the oil industry, it is not a bad performance. There is still resilience in the old beast.

The bottom line is the result of many additions and many subtractions. Sorting it out, separating the meaningful from the temporary, is a useful exercise to appraise the major trends of 1984. On the positive side, three factors helped earnings:

growth of the Wireline logging in North America;
return of Fairchild Semiconductor to breakeven;
higher interest income.

On the negative side, three factors had an adverse effect on earnings:

Throughout the world, drilling rates remained soft all year. The contagion, due mainly to overcapacity, has extended to other *oilfield* service activities such as cementing and stimulation.

Wireline logging activity outside North America bas been basically flat. Tbere were, bowever, some significant geographical shifts. Activity in the North Sea, China aod India grew markedly, offsetting lower activity in the Middle East.

The European economy is not coming out of the doldrums. *The surge of the dollar against all European currencies* compounds the problem when figures are translated into dollars.

Against this background, the main thrusts of our action during this year of recovery were in three directions:

Fight back on market share in the United States oil fields. Two years of recession, of declining drilling activity, beve led to an oversupply of equipment, price cutting and stiffer competition. A long axperience in the oilfield has taught us that, in the final analysis, quality of service, technology improvements, better answers, are the only way to keep competition at bay and to provide what the customers want. Whether in the reorganised Dowell Schlumberger operations in the U.S. or in Wireline logging in North America, we intend to recapture market sbare in some areas and maintain our position everywbere else.

Complete what was started: the strengthening and reorganization of Fairchild Semiconductor and Computer Aided Systems. There is a widespread belief that Fairchild is still in trouble. Maybe we bave been too candid in telling the problems we were facing and the losses wa were incurring. Problems there have been, pcoblems there are still. Certainly, we do not want to bide them. But the truth is that the Fairchild we acquired in 1979, including the test equipment and military businesses, was solidly in the black last year. For management purposes we have isolated Fairchild Semiconductor. Tbis division broke even in the last six months of 1984. New products are coming out. They are good and we know bow to manufacture them. New plants were built in South Portland, Maine and Puyallup, Washington, and in Germany and Japan, and they are efficient. Everyone knew that it would take time and monay. And it did, but it is nice when the bottom line figure shows that you are on the right track. Now it will take perseverance. God knows, we have it.

Acquire major units in the oilfield service industry. In April, 1984, the purchase of 50% of Dowell in North America made it possible to create a worldwide cementing and stimulation business, under Schlumberger management. At the end of December, the acquisition of SEDCO changed the magnitude of our presence in the offshore drilling business. SEDCO, the operator of the largest fleet of semisubmersibles in the world, had revenue of $597 million and net income of $102 million in 1984. Both figures will be significantly lower in 1985 as a number of long-term drilling rontracts at favorable daily rates expire. Also, additional expenses—amortization of goodwill, interest expenses related to the acquisition—will be incurred.

Both acquisitions will entail some dilution in earnings. In 1984, our share (50%) of Dowell Schlumberger in North America reduced earnings $30 million (10 cents per share). The situation will improve this year as this unit will regain market share, set more units offsbore in the Gulf of Mexico, control field cost and reduce dramatically headqnarters expenses.

For the last two decades, the strategy of Srhlumberger for growth bas been to pcogress along two avenues: to be the best oilfield service enterprise in the world and to be a significant factor in the high technology of measurement and components. The change of cycla in the oil industry, the temporary recession in tha search for bydrocerbons was a unique opportunity to seize. We hava the casb and we love *working* in the *oil fields*, helping our *customers* to find and produce oil. It does not mean for one minute that we abandon or curtail our endeavor in the second undertaking. Each *cycle has its opportunities and its risks.* If and when opportunities arise in America, in Japan, in Europe, in the fields of semiconductors, of computer aided systems (automatir tests, CAD-CAM), of measnrement and control we will move in as we did in the oilfield services.

There is a lot of pessimism in tha oil business these days. Yet the oil industry is not in a state of disarray. Search for new reserves continues in all parts of the world. Oil *is* produced, transported, delivered et the doorstep of the customer. But everybody at eacb link of this long chain *is* concerned with the price of crude oil. Will OPEC collapse, will Norway or Nigeria take the lead in lowering the price, will the *oil* glut *last forever, is* oil *getting to be a commodity*, fluctuating like copper or coffee beans? A real question and a real concern. Meanwhile, every pcoducer, every refiner, every transporter, every customer expecting lower prires, reducres its inveotories to the bone, restricting demand. Historirally, ever since oil became a major source of energy some eighty years ago, its price level bas never been entirely delerminad by market conditions, by the strict law of supply and demand. For decades, the Standard Oil Company, in the old days, the Texas Railroad Commission, the International oil companies in the Middle East, lately the OPEC, have more or less controlled the price of crude oil. Probably history will tell that OPEC, taking advantage of its temporary dominating position, raised the price of crude oil too fast and too mucb. But as Henry Kissinger wrote recently, "revenge even when sweet, is not foreign policy." Today the governments of Saudi Arabia, Great Britain and Mexico hava in fact the grave responsibility to bring soma order and some long-term stability. Hectic movements of the pendulum, either up or down, amplified tremendously by the swing in inventories and in the futures market are detrimental to the economies of all nations. Personally, I believe that reason and common sense will prevail. The first signs of wisdom are in sight.

Looking further in the future, I remember all the pundits and the experts who predicted that the world would run out of oil before the yeer 2,000. It did not take two years for the same people to annonnre that the glut of oil will last a bundred years. If one thinks only of the demand side, Asia alone has close to two billion human beings in Cbina and in India who are still at the age of the bicycle and of the steam engine.

Tbis is tha world we live in. The problems, the roncerns bave been wilb us for the last two years. We bave survived the change of cycle in the oil industry reasonably well. Stubbornly, we move forward with the same basic convictions: advanced tecbnology end new products, better service and more answers to the customers, more laboratories and more R&D, better trained, better motivated and more determined people at all levels, in all countries.

Five year summary

	1984	1983	1982	1981	1980*
Year ended December 31 (Amounts in millions except per share amounts)					
SUMMARY OF OPERATIONS					
Revenue:					
Oilfield Services	$3,617	$3,414	$4,054	$3,788	$2,814
Measurement, Control & Components	2,362	2,099	1,971	1,995	2,070
Interest and other income	391	284	259	195	153
Gain on sale of Rowan shares	—	—	—	—	100
	$6,370	$5,797	$6,284	$5,978	$5,137
% Increase (decrease) over prior year	10%	(8%)	5%	16%	41%
Cost of goods sold and services	$3,653	$3,388	$3,479	$3,244	$2,813
Operating income:					
Oilfield Services	$1,170	$1,187	$1,656	$1,702	$1,184
Measurement, Control & Components	161	61	34	131	230
Eliminations	10	(23)	(18)	(25)	(14)
	$1,341	$1,225	$1,672	$1,808	$1,400
% Increase (decrease) over prior year	9%	(27%)	(8%)	29%	42%
Interest expense	$153	$116	$117	$108	$102
Taxes on income	$390	$305	$451	$580	$522
Net income	$1,182	$1,084	$1,348	$1,266	$984
% Increase (decrease) over prior year	9%	(20%)	6%	27%	51%
Per common share:					
Net income	$4.10	$3.73	$4.60	$4.37	$3.47
Cash dividends declared	$1.12	$1.00	$0.92	$0.77	$0.63
SUMMARY OF FINANCIAL DATA					
Net income as % of revenue	19%	19%	21%	21%	19%
Return on average stockholders' equity	19%	20%	28%	34%	36%
Fixed asset additions	$727	$517	$1,094	$1,063	$748
Depreciation expense	$712	$678	$584	$433	$323
Average number of shares outstanding	289	291	293	289	286
AT DECEMBER 31**					
Working capital	$3,221	$3,030	$2,171	$1,637	$1,249
Total assets	$10,913	$8,353	$7,846	$6,525	$5,242
Long-term debt	$966	$455	$462	$278	$238
Stockholders' equity	$6,992	$5,819	$5,226	$4,235	$3,218

* Net income includes $70 million after-tax gain ($0.24 per share) on sale of Rowan shares.

** The December 31, 1984 balance sheet includes SEDCO which was acquired in December 1984.

Certain information relating to directors' share dealings and group companies, required by The Stock Exchange in London to be made available, may be inspected during the next three weeks during normal business hours at Kleinwort, Benson Limited, 20 Fenchurch Street, London EC3P 3DB, from whom copies of the full Annual Report of Schlumberger Limited for 1984 may be obtained.

OKOBANK

Osuuspankkien Keskuspankki Oy

U.S.$50,000,000

Floating Rate Capital Notes due 1992

In accordance with the provisioos of the Notes, notice is hereby given that the Rate of Interest for the first three months of the Interest Period eoding on *16th September*, 1985, has been fixed at 9⅞% per annum. The interest accruing for sucb three-month period will be U.S.$126.18 *in respect* of *the U.S.5,000* denominatioo and *U.S.$6,309.03* in respect of the U.S.$250,000 denomination and will be payable, together with the interest for the remaining three months of the said Interest Period, on 16th September, 1985, against surrender of Coupon No. 3.

13th March, 1985

Manufacturers Hanover Limited

Reference Agent

ASEA Aktiebolag

Västerås, Sweden

By order of the Board

Västerås, February 1985

INTERNATIONAL COMPANIES and FINANCE

HK Electric down after adjustment for ICH

By Our Hong Kong Correspondent

HONGKONG ELECTRIC, the utility company in which Mr Li Kashing holds a controlling 33.8 per cent stake following a HK$2.9bn deal in January, suffered a 12 per cent fall in net profits to HK$822m (US$105m) for 1984 and extraordinary losses further depressed the figure to HK$619m.

Mr Simon Murray, the newly appointed chairman, attributed the decline to a change in accounting policy over Electric's troubled 34.6 per cent-owned property associate, International City Holdings (ICH).

A decision to equity account the bolding led to an extraordinary loss of HK$203m. Following this edjustment, tha Electric board bas predicted that ICH will in 1985 "make a good contribution" to group profits. Provisions were also made in regard to Fortress, Electric's white-goods retailing arm.

Mr Li Kashing, one of Hong Kong's most prosperous businessmen, with substantial property interests, won control of Hongkong Electric in January when he bonght from the deeply-indebted Hongkong Land group its 33.8 per cent stake in the company. Tha deal was at a 10 per cent discount to prevailing market pricee for Hongkong Electric shares, but for Hongkong Land had the advantage of relieving debt and debt-servicing pressures.

Provisions limit rise at HK Bank

BY DAVID DODWELL IN HONG KONG

THE Hongkong and Shanghai Banking Corporation, Hong Kong'a leading bank and among the 20 largest banks in the world, has announced profits for 1984 of HK$2.59bn (UC$332m), a 4 per cent improvement on the HK$2.49bn of 1983, but well below market expectations.

Mr Michael Sandberg, the bank's chairman, blamed the strength of the Hong Kong dollar (which depressed foreign currency earnings on exchange translation) and political uncertainty for profits at least HK$50m below the most conservative market forecasts.

He noted that few provisions were now necessary egainst bad debts in Hong Kong following the collapse of the property market late in 1982, but revealed that the bank had made provisions against possible default on sovereign loans by e "black list" of borrowers with economic difficulties.

The bank has set up suspense accounts, into which profits from sovereign risk countries were being put, as "a relatively painless way" of protecting against possible bad debts in future years. Such profits were not being entered into the profit and loss account, he said. He would not disclose the countries on his "black list," but said it was not long, and involved countries to which the Hong Kong bank is not a "traditional lender."

At a time when the bank is celebrating getting a licence to open its doors in Australia, Mr Sandberg said there was still a "deficiency" in Western Europe. As part of a plan to establish e global banking controlling interest in the presence, the bank acquired a Marine Midland Bank of the U.S. in 1982, but was unsuccessful in a bid to buy the Royal acquired tha stockbroker James Bank of Scotland. It has since Capel, strengthening its wholesale operations in London, but has made no fresh move in retail banking. "The deficiency still remains," Mr Sandberg said. "We have not turned our back on other opportunities in Europe, but there doesn't seem to be anything on the horizon at the moment."

The bank is recommending a one-for-10 scrip issue, and has called for an increase in authorised capital from HK$8bn to HK$12bn. The new shares will not qualify for a recommended final dividend of 31 cents, which makes a total for the year of 46 cents.

Mr Sandberg was cautious in his forecasts for 1985. Commenting that confidence had improved, be said there were signs that domestic loan demand was increasing slowly. He felt that fast export growth, coupled with rising trada with China "bodes well for the future."

Highlands and Lowlands profits up 63%

BY WONG SULONG IN KUALA LUMPUR

HIGHLANDS and Lowlands, Malaysia's fourth largest plantation company which is now part of tha Guthrie group following e takeover offer earlier this year, has reported a 63 per cent increase in pre-tax profits to 80.7m ringgit (U.S.$32m) for 1984 on turnover up by 41 per cent to 147m ringgit. After-tax profits were 31 per cent higher at 44.4m ringgit.

Like most plantation companies, Highlands and Lowlands' earnings were boosted by strong palm oil prices during the year, and cocoa also made a nseful contribution.

The final dividend is 15 cents, making e total of 22.5 cents for the year compared with 17.5 cents previously.

In the second balf of the year after-tax earnings slipped by 9.1 per cent to 21.3m ringgit from 23.4m ringgit. Tha company did not explain the decline, which followed a 121.5 per cent jump in the first half.

At the attributabla level, net earnings were 8.2 per cent lower at 43.6m ringgit because of extraordinary profits ln 1983.

In 1984 there was an extraordinary loss of 880,000 ringgit stemming mainly from a downward adjustment of unrealised gains on tha sala of land in 1982. In 1983 there was e 13.6m ringgit extraordinary profit from the government's compulsory acquisition of land.

The company said results for the current year would "approximate those achieved in 1984."

● After four years of profit decline, East Asiatic Company of Malaysia, a subsidiary of EAC Denmark, bas reported an increase in Pretax profits rising to 26.2m ringgit (U.S.$10.2m) for 1984 compared with 420,000 ringgit despite a 4 per cent fall in turnover to 234m ringgit.

Analysts say that without higher palm oil output and particularly strong palm oil prices, earnings would bave been pretty modest. The heavy equipment division continued to sustain "substantial losses" dne to depressed conditions in the timber and construction industries and beavy stocks in the market, but the Dumex baby food and pharmaceuticals division maintained eteady growth as did the asociate company. Carlsberg Malaysia.

Tha government has epproved the revaluation of EAC'e land and buildings to 238m ringgit, throwing up a surplus of 79m ringgit.

The company is using 25m ringgit from retained earnings and its share premium account to make a one-for-three scrip issue. The final dividend is 12.5 cents, making an unchanged total of 20 cents gross for the year. The directors expect 1985 profits to be broadly in line with those for 1984.

JAL to resume dividend payments

By Robert Cottrell in Tokyo

JAPAN AIR LINES, Japan's publicly-quoted, government-affiliated airline, says it expects to pay a dividend in the current year ending March 31, the first since 1981-1982. In 1982-83 the airlina was hit by a parent company loss of Y27bn (U.S.$104m), before tax and extraordinary items and dropped its payout.

Increased passenger and freight traffic conpled with lower fuel costs belped JAL back into the black, with a pre-tax profit of Y4bn in the year to March 1984. Profits are expected to be sharply higher in the current year, perhaps at around Y17bn. The company said last September that it hopes to show parent company profits of Y40bn before tax and extraordinary items in 1987-1988.

JAL's share price has doubled over the past year, helped both by its improved profits and by speculation that the Japanese government may be preparing to sell off at least some of the 35.5 per cent stake which it holds in the carrier.

Record year for Japanese industry

TOKYO — Japanese corporate earnings will reach record levels in the current year, with many industries coming out of recession, the Nikko Research Centre said yesterday.

With the electric and steel industries leading the pace Japanese industry as a whole is winding np the year to the end of this month with Y5,450bn ($21bn) in gross profits, the highest on record.

Tha figure represents a 19.9 per cent increase over the year to March 1984 and surpasses the peak 1980-81 level of Y4,800bn. The figure is considerably lower than the Center's forecast of Y5,830bn made last December.

The yen's unexpectedly sharp depreciation against the U.S. dollar has cut deep into earnings, forcing the downward devision of the forecast, the Center said.

As for the year end March 1986, the centre's analysis sounded a somewhat less optimistic note. Although the rising trend in earnings is likely to continue well into the coming year, the growth should settle at a lower annual rate of 6.9 per cent, the report said, with reduced increases in export earnings the main reason for the slowdown. Domestic demand, on the other hand, is expected to pick np strongly, more than making up for slowing exports.

In 1984-85, the electric machinery industry is expected to chalk up Y1,390bn in profits before tax and extraordinary items, np 34.4 per cent over the previous year.

The steel industry is seen coming up with Y293bn in gross profits, compared with e meagre Y1.8bn in the previous year.

The oil industry and electric power and gas untilities, on the other hand, remain hard hit by the cheap yen which has driven up energy costs in Japan.

Kyodo

Bond defends interim report

BY MICHAEL THOMPSON-NOEL IN SYDNEY

BOND CORPORATION, of Perth, has defended tha recent reporting of its interim profits figures with a sharply worded telex to Australia's National Companies and Securities Commission (NCSC).

Last week, the NCSC queried Bond's net profit—reported at A$9.3m (U.S.$6.3m) for the balf-year to December—and also questioned its position regarding equity accounted contributions from subsidiaries and possible foreign exchange losses.

Yesterday, Bond claimed that the NCSC's queries were an abuse of the Commission's powers, and contained "numerous innuendos and presumptions."

Nevartheless, Bond has issued a detailed response in which it has spelt out the distinction between its operating divisions —including brewing, media, coal, energy, property, and brick-making—and its corporate division, embracing non-industrial trading activities.

Bond defended its decision not to incorporate interim equity accounted gains or losses from affiliates such as the troubled retailing groups, Waltons Bond and Norman Ross, but it said it would continne to explain its results on an equity accounted basis for inclusion in its annual report.

Bond also said that exchange losses for the interim period bed been charged to operating profit, but bad not been separately disclosed "because they were offset by some gains on other foreign borrowings and were not considered material to the group result."

● Our financial staff adds: According to Bond Corporation'e annual report for the year to June 1984, the group "follows the principle of equity accounting associated companies where the results of such companies are material in relation to the group's results."

Waltons Bond is shown as 47 per cent-owned by Bond while Norman Ross is indirectly 74 per cent-owned by the group. For the six months to January 31, Waltons Bond reported a loss of A$3.7m while Norman Ross Discount posted a A$9.3m deficit in its most recent half year.

FINANCIAL TIMES SURVEY

Wednesday March 13 1985

Mid-Nordic Region

THE NORDIC countries have much in common. They all have mixed market economies vitally dependent on exports. They share a common culture, for centuries they have warred, lived and loved together. With the partial exception of Finland, they have all created highly developed welfare states without quite knowing how to pay the bill.

In recent decades the cause of Nordic co-operation has brought with it a common labour market, eliminated tha need for passports for citizens moving between the Scandinavian countries and trade and industry has become increasingly interdependent.

But beware the Scandinavian myth. The outsider can tend to regard the Nordic countries as a regional bloc. but from within it is easy to forget the progress that has been made towards co-operation and focus instead of the continuing barriers that exist for intra-Nordic trade, to observe the traditional rivalries that can still bedevil bilateral relations, and to wonder if the cause of integration is not in danger of being lost in a sea of paper, bureaucracy and committees.

Members of the five national parliaments of Sweden, Finland, Denmark, Norway and Iceland, who met in Reykjavik, the Icelandic capital last week for the annual sessions of the Nordic Council, are the usual focus for the Nordic debate.

...This year they have been taken up with issues ranging from a common initiative to stimulate the national economies and create jobs, to a joint plea to Mrs Thatcher and the UK Government to cut the air pollution generated by British power stations and factories and attempts to resuscitate plans for a joint Nordic TV satellite.

At the grass roots in Scandinavia, however, co-operation is being sought at a very different and altogether more practical and mundane level.

Three regions of Norway, Sweden and Finland known collectively as the Mid-Nordic Region, have been trying since the late 1970s to translate Nordic co-operation into more concrete actions.

Co-operation between six provinces in the three countries is being developed as a counterweight to the pull of capitals in the south

New stimulus to regional growth

THIS SURVEY WRITTEN BY

KEVIN DONE, NORDIC CORRESPONDENT

For centuries the regions of North and South Trondelag in Norway, Jämtland and Vasternorrland in Sweden and tha Vaasa and Central Finland provinces in Finland have watched the flow of trade and commerce being drawn inexorably towards the capital cities several hundred miles to the south.

Trade haa traditionally flowed in each country along a north-south axis. In earlier times such a process was perhaps, inevitable given tha insuperable communications problems posed by the barriers of Scandinavian geography, with the central spine of mountains cutting off the Norwegian coast from the vast forest hinterland of Sweden.

The development of road and rail links along an east-west axis and the development of better shipping links across the Gulf of Bothnia have improved in recent years the chances of east-west communications and trada links between the regions, however, and gradually new patterns are beginning to emerge.

Regional cross-border co-operation will never replace the national flows of course, but local political and business leaders regard the mid-Nordic co-operation effort as a useful way of supplementing local trade and industrial activities and of sharing experiences in overcoming regional development problems.

Taken together the three regions represent a "home market" of some 1.5m people. They account for some 8 per cent of the total populations of Finland, Sweden and Norway and the six provinces make up some 14 per cent of the total land area of the three countries.

A microcosm

The mid-Nordic region stretches from the fjords and islands of Norway's Atlantic coast through the mountains of the Scandinavian peninsula to the Gulf of Bothnia and tha forests and lakes of central Sweden and central Finland.

They present a microcosm of the industrial and commercial life of the three countries. Forestry and the pulp and paper industries play a major role in the regional economies along with engineering, but new enterprises ranging from fish farming in Norway and fur farming in Finland to electronics are also growing up alongside the more traditional sectors.

A new stimulus to regional growth is gradually emerging through the development northwards of the search for oil and gas on the Norwegian continental shelf. Significant finds bave already been made at Haltenbanken offsbore mid-Norway and according to Norwegian oilmen it is no longer a question of it, but wben the first field will be developed.

Clearly tha most immediate benefits will accrue to the economy of mid-Norway, but regional political and business leaders in Sweden and Finland have begun to regard Trondbeim as their natural gateway to the new Norwegian offsbore market.

They are determined that local commercial interests abould be kept abreast of the new opportunities to be exploited across the border in Norway and that knowledge of the market is developed at a much earlier stage than was the case in the North Sea.

The roots of the mid-Nordic co-operation go back to 1977 and a meeting of regional officials and business leaders at Storlien, a skiing resort in the Jämtlaod mountains close to the Norwegian border.

From that first initiative the work has developed to include the establishment of cross-border trade offices in the towns of Trondheim, Sundsvall and Jakobstad (or Pietersaari in Finnish), the setting-up of daily east-west flights linking for the first time by air Trondheim, Ostersund, Sundsvall and Vaasa, and the holding of regular regional trade fairs and industrial conferences.

Inevitably there is still a great deal of scepticism towards such initiatives, but undoubtedly they are opening up new avenues for doing business especially for the many small- and medium-sized companies in the region, which previously bave lacked the resources or knowledge to venture out into export markets.

"We see the mid-Nordic region as offering a gateway to Norway and Sweden," says Mr Glas-Göran Bystedt, director of the Viexpo trade office in Jakobstad on the Finnisb coast of the Gulf of Bothna. "The regional markets are not big enough alone, but they are a start."

The province of Vaasa in Finland is a bastion of private enterprise and has proved bugely sucessful in receot years at creating new businesses.

"For the size of company we are dealing with, with 20-50 employees on average, the mid-Nordic regioo is the first area we look to. Then as the companies grow, they can move south."

For many small Finnish companies language problems can appear to set insuperable obstacles, but in the Vaasa region, at least, this is less of a problem, as around 25 per cent of the population are Swedish-speaking, a fact that makes the mova into the Swedish or Norwegian markets far less daunting.

Among the first *institutions* to recognise the new opportunities that small-scale cross-border co-operation could offer were the regional banks. As part of its foreign expansion Forretningsbanken, Norway's fourth largest commercial bank which has its head office in Trondheim, chose to open its *representative* office in Sundsvall rather than in Stockholm when it entered the Swedish market in 1982.

At the same time Sundsvalls Banken, the main regional bank in the north of Sweden, has maintained a representative office in Trondheim for the last 2½ years.

"The key question now is what will happen when the Swedish authorities allow in full foreign banking operations," says Mr Steinar Robertsen, general manager with responsibility for international operations at Forretningsbanken.

Agreement

It already has an agreement to take a 20 per cent stake in the small Jämtlands Folkbank across the border in Ostersund, but it is still pondering the question of whether a full subsidiary operation should be based in Sundsvall or Stockholm.

Around 120 companies bave already used its Sundsvall representative office in the search for assistance in setting np cross-border business often in the search for agents, market surveys, products or the setting up of subsidiaries.

"It is practical business on a small scale," says Mr Robertsen. "You will never see the big financial deals, but the small companies are here and they can benefit and that is good business for the banks. You can learn about exporting, it is not the home market, but it is very close.

"In Stockholm there are 23 other foreign offices. You have to compete with Citibank and Chase Manbattan and they are all competing for the same major international clieots."

The existence of the detailed mid-Nordic co-operation work has belped to focus attention oo the petty problems of cross-border trade in the Nordic region, the non-tariff barriers which are often enough to dissuade small businesses from engaging in export trade.

One recent study came up with more than 70 practical hindrances to trade including problems arising from differing customs duties and taxatioo practices, quantitative restrictions, regional subsidies, technical restrictions and differing transport regulations.

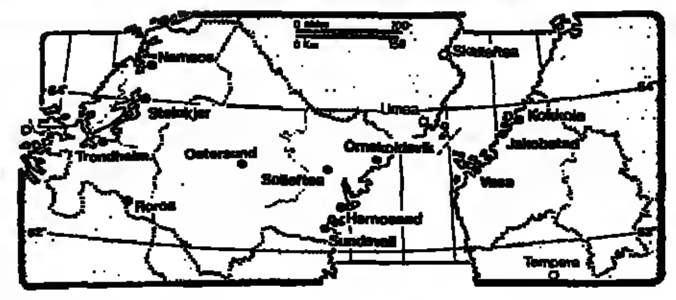
"We expect mora of the co-operation between tha Nordic countries," says Mr Erik Holländer, head of the mid-Nordic executive office in Sundsvall.

"People are giving up exporting to Sweden, for instance, because it is too mucb paperwork. If you are a small company you often have to put twice as mucb effort into the paperwork than into the marketing."

The need for harmonisation can appear petty—the space between the boles of filing paper is different in Norway and Sweden, for example—but for small companies with limited resources, the barriers of differing standards, customs procedures, tax regulations and axle weights can appear overwbelming.

Gradually, however, some of the old U-shaped patterns of trade in Scandinavia, wbere goods travelled south to Stockbolm, Helsinki, Gothenburg or Oslo before coming north again, are being replaced by tbe shorter east-west trade routes.

"Earlier fisb deliveries from Trondheim went down to Oslo, Gothenburg and Stockholm in order to reach Sundsvall," says Mr Nils Sjölin, deputy governor of Västernorrland. "The result was not very tasty."



The six provinces

	Population	% of country	Land area (sq km)	% of country
NORWAY				
North Trøndelag	125,200	3.0	22,463	6.9
South Trøndelag	243,700	6.0	18,831	6.0
SWEDEN				
Jämtland	134,653	1.62	50,300	11.0
Västernorrland	267,895	3.2	21,800	5.0
FINLAND				
Vaasa Province	428,082	9.0	26,800	8.0
Central Finland	242,470	5.0	19,300	6.0

Currencies:
$1.00=SKr 9.68=NKr 9.77=FMk 7.07
£1.00=SKr 10.25=NKr 10.35=FMk 7.48

How the co-operating regions are faring in the three Nordic countries

Economy depends on big groups

Sweden

THE TWO Swedish provinces of Jämtland and Västernorrland, the heartland of the mid-Nordic region, provide a graphic illustration of the way that large areas of northern Sweden have gradually been de-populated with industrial activity concentrating around certain key towns along the Baltic coast.

Jämtland, a region of mountains, forests and lakes, covers an area rather larger than the whole of Denmark. It has 11 per cent of the land area of Sweden, about 1.6 per cent of the population, and with only three inhabitants per square kilometre is one of the most sparsely populated areas of the whole of Scandinavia. It is greatly dependent on the forest industry as well as tourism and the public sector services for employment.

By contrast, in Västernorrland, the town of Sundsvall, with a population of 94,000, and the surrounding area represents one of the most industrialised regions of Sweden. It is the largest timber industry district in the country and one of the larger ones in the world.

Reflecting the process of concentration that characterises the general development of Swedish industry, the economy of Västernorrland is dominated by a small number of very large companies, whose fortunes are decisive for the prosperity of the region and in particular tha immediate local communities. It lacks a well-developed network of small and medium-sized companies, that can help to cushion falling employment at the big corporations.

Like the rest of Norrland, (the northern-most five provinces of Sweden, that account for 58 per cent of the land area of Sweden, hut only 14 per cent of the population), Västernorrland faces a struggle to maintain its population and staunch the inevitable drift to the south.

The fight has been made more difficult, however, by the structure of the local economy. It includes several large process industries, which have invested large sums of money in recent years in new plant and equipment to maintain international competitiveness, but at the same time have drastically cut back their workforces.

In the five years alone from 1980-85 Svenska Cellulosa (SCA), the forest products group, has invested around SKr 3.7bn in the Sundsvall region in its sawmill, pulp and paper operations. From 1970 to 1985 its local workforce in these operations dropped from 3,250 to 2,200. At the end of the 19th century there were 43 sawmills in the Sundsvall region. Today there is one.

SCA is the biggest company in Västernorrland, hut the province also includes two other big forest prodncts groups MoDo and Norrlands Skogsägares Cellulosa among the top ten enterprises in the region.

Alongside forest products comes the engineering industry which has given greater hopes for new jobs. Hägglund & Söner, a subsidiary of Asea, based in Örnsköldsvik north of Sundsvall, has been successful in its development of all-terrain vehicles especially for military use and has won a major contract from the U.S. forces.

KemaNobel, the biggest chemicals company in Sweden and now a subsidiary of Bofors, has one of its main production sites for industrial and agricultural chemicals at Stockvik and Ljungaverk, while Gränges Aluminium in Sundsvall is the country's only producer of primary aluminium.

Other big engineering companies in the area include Sunds Defibrator, a subsidiary of SCA manufacturing machinery for the pulp and paper industry, and Sundsvalls Verkstäder, part of the U.S. Emhart Corporation, manufacturing machinery for the manufacture of glass containers.

Norway

Boost for oil and gas sector

THE COMPETITION between the communities of mid-Norway is hotting up for the richest pickings as the search for oil and gas on the Norwegian continental shelf moves north.

Discoveries made at Haltenbanken offshore mid-Norway have already ensured that there will be some substantial field development projects during the late 1980s or early 1990s, but it is still not clear which locations will be chosen either as the landing terminals or as the administrative headquarters.

Mid-Norway comprises three different counties, North and South Trondelag and More and Romsdal, but the regional focal point — despite local rivalries is Trondheim, Norway's third largest city after Oslo and Bergen and, during the Middle Ages the capital of the country.

Today with a population of 135,000 Trondheim still boasts one of Scandinavia's finest mediaeval buildings in the shape of the Nidaros Cathedral, which was begun during the 12th century.

Trondheim has long been established as the main trading place in mid-Norway and during the 20th century it has also become one of Norway's most important educational centres with a flourishing research and development environment growing up around the technical university. More then than half the population of the county, live within the city.

The economy of south Trondelag is dominated by the services sector, which provides around two-thirds of local employment. The main service branches are health and social services along with retail and wholesale trading. Around a quarter of the workforce is employed in the secondary sector, chiefly industry with about a tenth of jobs still coming from primary occupations mainly in agriculture.

Compared with the average for Norway, industry is rather under-represented in south Trondelag, while the county has a higher share of both agriculture and service occupations. This trend is continuing with the importance of services still growing and manufacturing industry diminishing as a source of employment. Within industry around a third of employment is found in engineering and a quarter in food processing.

Some branches of industry are still growing, particularly within electronics and computer services, and the region has only recently started to try to exploit the resources of the technical university and SINTEF, the country's leading contract research institute, to encourage the establishment of new companies based on the high technology spin-off of local research projects.

In the space of 18 months around 20 new companies have been started in the Trondheim region, mostly in the electronics and medical technology sectors. At the same time some of Norway's biggest engineering groups have been encouraged to open offices in the region both to improve co-operation with the university and to facilitate the recruitment of new staff.

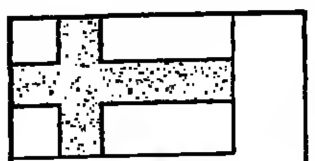
Traditionally mid-Norway has been an important region for the fishing industry as well as agriculture, but today it is only in More and Romsdal county with the towns of Alesund and Kristiansund that fishing still plays a significant role.

Fish farming, on the other hand, is one of the region's fastest growing sectors and has emerged as one of the main hopes for sustaining employment in the scattered communities along the islands and fjords of the mid-Norway coast.

According to Mr Harold Vik, head of planning and development in South Trondelag, the drift of the population from the coast and the valleys to the main towns has been halted, partly helped by the spread of health services and secondary schools to the more rural areas.

North Trondelag has some of the bigger industrial companies in the region including the headquarters and main production site of Norske Skog, Norway's biggest forest products group, and Aker Verdal, which manufactures offshore platforms and other components for the oil and gas industry.

Vaasa is citadel of enterprise



Finland

FINLAND'S VAASA province is the citadel of private enterprise in the country. It boasts Finland's highest concentration of small- and medium-sized companies and has one of the lowest unemployment rates in the country at less than 5 per cent, second only to the thriving region around Helsinki, the nation's capital.

The wide, flat plains of Ostrobothnia with their relative lack of forests and lakes provide a sharp contrast to the rest of Finland and not least to the adjacent province of central Finland.

The smaller of the two Finnish provinces in the mid-Nordic region, central Finland presents a more traditional picture with the regional economy dominated by the two main sectors of Finnish industry, forest products and beavy engineering.

Jyväskylä, a university town and the administrative hnb of central Finland, is the biggest town in the two Finnish provinces with a population of around 63,000. Industrially it is dominated by the state-owned Valmet group.

With sales of FMk 6bn, Valmet enjoyed one of its best ever years in 1984. It has around a fifth of its 16,200-strong workforce in Jyväskylä in activities ranging from paper and pulp machines and foundry products to power transmission machinery, energy measuring equipment, arms and ammunition and industrial tractors.

The province of Vaasa with a population of some 430,000 also includes the operations of some of Finland's leading industrial corporations in the shape of Wärtsilä, Kymi-Strömberg and Schauman as well as Outokumpu, Kemira and Metsä-Botnia.

Kymi-Strömberg, formed as a result of one of the country's biggest merger deals in late 1983 with the fusion of Kymi Kymmene, the forest products and chemicals group with Strömberg, the electrical engineering and metal industries concern, is the biggest employer in Vaasa with a workforce of more than 4,000.

Vaasa is still the main prodnction centre for the Strömberg electrical engineering division, even though the corporate headquarters has been moved to Helsinki.

Both Strömberg and Wärtsilä, which has its diesel engine division located in Vaasa, have been sources of steady employment in the region, despite a contimuing rationalisation of production. In contrast to the problems suffered by several other major European manufacturers of diesel engines, Wärtsilä has achieved a high rate of growth during the difficult years of the late 1970s and early 1980s, thanks largely to the development of a new generation of engines designed to run on low quality fuel oil.

The first units were delivered in 1979 and since then the output of the Vaasa works of medium-speed diesel engines has virtually trebled.

Companies of the size of Strömberg, Wärtsilä and Schauman, the forest products group, are the exception rather than the rule in Vaasa province, however. The regional economy owes much of its prosperity to the existence of several hundred small enterprises, many in agriculture, market gardening and craft industries such as weaving and woodworking which reflect a powerful commitment to private enterprise.

The region has more than 2,200 companies of which around 1,300 have fewer than five employees and less than 100 have more than 100 employees. Most are concentrated in the textiles, woodworking (such as furniture) and mechanical engineering sectors.

The lively community of small businesses owes much of its strength to the continuing success of the many small farmers in the region, many of whom have diversified into fur farming and market gardening.

Trondheim plays special regional role

Research and Development

AS THE HOME of Norway's only technical university and the location of SINTEF, Trondheim, Norway's leading contract research institute, plays a very special role within Scandinavian technical education and research.

The expansion of research and development activities in the city has been spurred by the rapid build-up of the offshore oil and gas industry on the Norwegian continental shelf. Statoil, the Norwegian state oil company, has established its own research and development division in Trondheim and the growing workload for the offshore oil industry has meant that SINTEF has more than doubled its etaff in the last ten years.

At the same time officials at both the university and SINTEF have realised—perhaps somewhat belatedly—that the research environment represents a rich resource for stimnlating the estahlishment of new high technology industries in the ragion. Moves have been made towards encouraging the development of a science park in the city and in less than two years more than 18 new companies have been set up in the Trondheim region, chiefly in electronics as a spin-off of research work being carried out close to the university.

Trondheim is undoubtedly the leading research centre within the whole mid-Nordic region and leaders in both central Sweden and Finland are hopeful that it can act as a stimulus to the further development of technical education and research in their own areas.

Gateway

Equally, industry in the region sees Trondheim as the natural gateway to the growing offshore market, a development that will take on a new momentum, when the time comes for the development of the hydrocarbon resources already discovered at Haltenbanken, offshore Trondheim.

The close co-operation between the university in the shape of the Norwegian Institute of Technology (NTH) and SINTEF (the Foundation for Industrial and Technical Research) is one of the leading examples in Europe of the way in which the scientific resources of a university can be pooled together with those of a contract research institute to enhance practical development work in industry.

NTH with a staff of close to 1,500 and around 5,250 students covers all the relevant fields of engineering as well as architecture. It produces around 900 engineering graduates a year and bas a staff of some 640 researchers and research assistants. It has proved a fertile recruiting ground for the oil industry, which has been urgently building up its engineering activities, and as many as 30-40 per cent of the graduates still find their first employment in activities related to the offshore sector.

SINTEF was founded in 1950 as one way of trying to bring Trondheim University into the mainstream of technological activity and development in Norway. With the centre of industrial activity building up 500 km to the south, Trondheim was in danger of becoming isolated during the years of reconstruction in the early post-war period.

With substantial support from industry and commerce the university founded SINTEF originally with the idea that it should act as a liaison office to take care of the business administration of possible contracts between university departments and individual industrial companies.

SINTEF grew rapidly, however, quickly employing its own scientific personnel and in effect adding to the staff at the university. Its staff now surpasses the university's at around 1,600 after a reorganisation earlier this year in which it has taken over two other research institutes, the Continental Shelf and Petroleum Technology Institute with about 200 staff and the Marine Technology Research Institute with a further 250 employees.

The close co-operation between the university and research institute has not been impaired by the rapid growth of SINTEF. The institute'a research activities are based on the university's campus, the staffs of the two institutes usually share the same laboratories and facilities, and there is a frequent exchange of personnel. At the same time projects often have joint leadership within different disciplines.

About a third of the industrial research work carried out in Norway is performed hy research institutes with the other two-thirds heing conducted within industry's own laboratories. Of the institute's share SINTEF alone accounts for at least 40 per cent.

Commercial contracts with industry and government agencies bring in around 75 per cent of SINTEF's income, another 20 per cent comes from contracts for more long-term, fundamental research and only 5 per cent from general grants. Mr Johannes Moe, managing director of the research institute is unhappy that the laboraties are so heavily dependent on commercial work.

He looks enviously at the funding of the Frauenhofer Institutes in West Germany, where the three different sources each account for about one-third of income, but he still appears to be fighting an uphill battle with the authorities in Oslo who often appear more intent on trying to rein in public expenditure rather than on increasing spending on research and development.

"We try all the time to convince central government that for us to be ahead of industrial needs we must have more funds for long-range activities. It's a continuing debate."

Importance

The importance of the oil and gas industry as a customer for the research institutes has taken on a particular importance, therefore, at a time when the Norwegian Government has been reluctant to spend more on research work. About a third of SINTEF's research activities are now related to offshore engineering amounting to some 600 man years annually.

Mr Dag Kavlie, rector of the institute of technology, is also critical of the current centre-right coalition government's reluctance to commit more resources to the development of Norwegian technology.

"We are educating less than half the number of computer specialists and electronics engineers that the country needs. The Government has started a programme of sponsoring students to go abroad—chiefly to the UK or the U.S. That is fine for quick results, but we believe we should do more at home to arrive at long-term solutions. To rely on other countries to solve your problems seems wrong."

"Gross research and development spending in Norway began to fall in 1978," says Mr Moe. "It has picked up a little in the last two years but this is still worrying." On average Norway spends between 1 and 1½ per cent of its gross domestic product on R&D, a comparatively high level for a small economy, bnt still well behind the 2-2.5 per cent of Sweden, the UK, West Germany and France.

Economic role is vital in all three countries

Forest products

VAST AREAS of Sweden, Finland and Norway are covered by forests, and the forest products industry has left its mark deeply on the economic development of all three countries, not least in the mid-Nordic region.

In Finland some 71 per cent of the land area is covered by forest, and pulp and paper groups such as Schauman and Metsäbotnia in the two provinces of Vasa and Central Finland play a central role in supporting the livelihood of their local communities in towns such as Jakobstad, Äänekoski and Keskö. In Jakobstad, for instance, a town of some 22,000 population, Schauman alone employs around 1,800 people in their pulp and paper mills and in boat-building. Another 700 are employed in forests in the region.

Norske Skog, Norway's biggest pulp and paper company, is located in Trondelag, in mid-Norway. It is the biggest industrial employer in the region and has an economic influence stretching well over into the western part of Jämtland in Sweden, which is an important source of its timber.

In Sweden, where the process of industrial concentration has been carried furthest in Scandinavia, two of the country's biggest forest product groups, Svenska Cellulosa (SCA) and Mo och Domsjö (MoDo) dominate the economy of Västernorrland and the region includes other substantial forest companies in the shape of Graningeverken and Ncb.

SCA alone has around 4,200 employees around Sundsvall and 5,500 in the whole of the mid-Nordic area. It is the region's largest private employer.

Some 57 per cent of the land area of Sweden is covered by forests, and much of this vital resource is owned by the forest companies themselves—in contrast to Finland, where the greater part of the forests is still in private hands owned by farmers and local foresters or often private individuals who have moved into the main cities.

SCA, for example, is the largest single private forest owner in the whole of Europe with holdings of more than 4.2m acres in northern Sweden. They provide the group with about 60 per cent of its own timber needs, one of the highest rates of self-sufficiency of any forest company in Scandinavia or indeed the world.

While there are structural differences between the forest industries in the three different countries, with Norway comparatively playing the minor role, it is inevitable that the industries have developed along similar lines. They are all highly capital intensive investing huge sums in new mills, which can compete with the best in the world in terms of technology and productivity.

The Scandinavian pulp and paper industry has gone through a period of radical restructuring, which has demanded the successive closure of many small units and a concentration of production in large mills, mostly located at the coasts.

Concentrated

The industrialisation of much of northern Sweden began with the development of the forest industry and the scores of water-driven saw-mills. With the development of steam-driven saw-mills, the industry began to move down to the coast and by the second half of the last century there were 43 saw-mills in the Sundsvall region alone of Västernorrland.

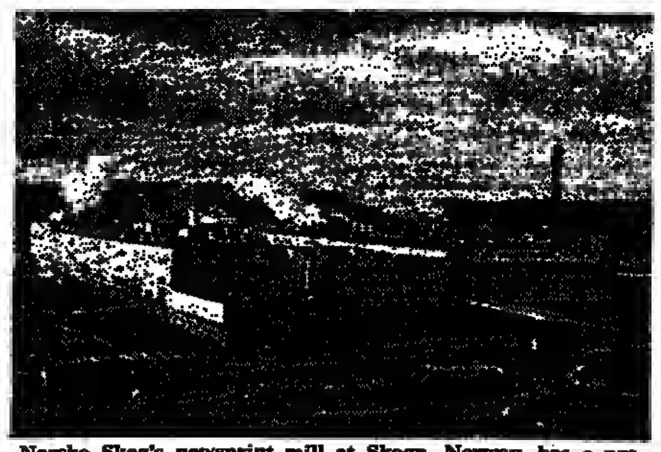
Today SCA has its saw-mill activities concentrated to just one mill at Tunadal. Close by in the area are the large single locations of a pulp mill at Östrand, newsprint at Ortviken and fine paper at Wifstavarf.

With a single terminal for marshalling the supplies of timber coming by road and rail from all over northern Sweden and a port for shipping out the processed goods SCA has assembled what it claims to be one of the most concentrated forest product complexes in the world.

It goes far to explain why it is today one of the industry's most profitable corporations and at the same time why employment is constantly being cut back despite steadily rising output and sales.

In the 15 years from 1970 to 1985 SCA's production of pulp and paper has climbed from 820,000 tonnes to 970,000 tonnes in the Sundsvall region, turnover at 1981 prices has risen from SKr 2.13bn to SKr 2.6bn, but in the same period the forest products workforce has shrunk by a third from 3,250 to 2,200.

Two other important trends have characterised the industry's development in the same period. Firstly it has greatly increased the efficiency of its use of timber. SCA's output has grown by 18 per cent, for example, but the input of fibre raw material has actually been reduced slightly to 3.3m cubic metres from 3.4m some 15 years ago. At the same time various emissions to both air and water have been cut to around a fifth of earlier values as a result of much tighter environmental controls.



Norske Skog's newsprint mill at Skogn, Norway, has a production capacity of 400,000 metric tons of standard newsprint per year, of which more than 95 per cent is exported.

Despite the parallel development of the forest product industry throughout Scandinavia, some national differences do persist. The Swedish companies tend to be financially stronger and as a result their profitability has been better able to withstand the advent of higher interest rates and a big jump in financing costs.

For many years Scandinavia—and perhaps in particular Finland—lived with very high inflation rates which resulted in negative interest rates. In the last couple of years the position has been reversed with stubbornly high interest rates coinciding with falling inflation rates.

"Technically we are more sophisticated and we have lower manufacturing costs per tonne than North American producers, but when it comes to other costs, such as financing, that is difficult," says Mr Magnus Wangel, executive vice-president for Schauman's pulp, paper and converting operations in Jakobstad on the west coast of Finland.

There has been some divergence in the profitability of the Swedish and Finnish pulp and paper producers in the last two years with the Swedes surging ahead helped by a 16 per cent devaluation of the Swedish krona in October 1982.

"We are equal in production efficiency and quality," says Mr Wangel, "but not in profits. For the future it depends how costs develop, inflation, wages and agreements with the forest owners on the supply of raw material."

Finnish producers also consider that their Swedish rivals across the Gulf of Bothnia enjoy structural advantages in that many Swedish groups possess their own hydro power resources and also own directly far more substantial forest holdings.

Ownership of the forests is far more diffuse in Finland than in Sweden, which from time to time gives Finnish pulp and paper producers problems in getting access to sufficient raw material.

The Swedish pulp and paper industry is also moving faster to consolidate its activities with several big mergers completed in the last couple of years. Products are also marketed differently in Finland and Sweden. The Finnish producers have joined forces in national sales organisations such as Finnpapp and Finncell, while Swedish corporations still tend to act individually. Inevitably there are advantages and disadvantages of both systems.

Cyclical boom

"When the market is good it is better to do business yourself," says Mr Wangel, "but Finland's system works better in poor markets."

Overall the mid-Nordic region's pulp and paper producers have recently been enjoying one of their most profitable ever cyclical booms with plants working at or very close to full capacity. Operating margins have improved substantially over the last 18 months and balance sheets are far stronger than they were two years ago.

Forest industry profits are expected to peak this year, however, as the top of the paper cycle is reached and as pulp markets weaken. Share prices for forest industry corporations have already declined significantly during recent months.

Pulp prices began to weaken towards the end of 1984 mainly due to excess production capacity worldwide. New pulp capacity is coming on stream in Finland with the commissioning of Metsabotnia's second pulp mill in Central Province scheduled for May, and new mills are also coming on stream elsewhere in North America, South Africa, Portugal and South America.

Strong growth after setbacks

NORSKE SKOG, with its headquarters at Skogn in the North Trondelag county, dominates the Norwegian forest industry and in particular mid-Norway. It accounts for 45 per cent of Norway's production of newsprint, 20 per cent of the country's output of sawn timber and 50 per cent of Norway's production of chipboard (particle board).

It is the largest single industrial employer in mid-Norway, ahead of Aker Verdal's offshore construction yard. About half of the group's 2,000-strong workforce is located in Trondelag.

Norske Skog runs six sawmills, four chipboard plants, one newsprint mill and one plant producing furniture components. After a period of hectic expansion in the 1970s, the group ran into serious problems at the beginning of the 1980s with the eventual bankruptcy of the Tofte pulp mill, one of Norway's most ambitious onshore industrial projects, which cost the group write-offs totalling around NKr 320m.

After a shake-up of top management the group, which is 61 per cent owned by forest owners' co-operatives, has embarked on a period of consolidation in the last couple of years, selling off three sawmills and Ranheim Papirfabrikk, which previously encompassed the group's interests in kraft paper, paper sacks, wrapping and cardboard. The operation was sold because of unsatisfactory profitability.

Profile: Norske Skog

The financial collapse of the Tofte pulp mill, pushed Norske Skog into losses in 1982, but, helped by strong demand for newsprint, profitability has improved in the last two years. Sales totalled NKr 1.93bn in 1983 and grew—on a comparable basis—by some 10 per cent in the first eight months of 1984. The newsprint mill, which generates the lion's share of group profits, has been operating at full capacity for long periods since last summer and last year reached a record output of 374,000 tonnes.

The group's results are still hampered by weak market conditions for sawn timber and chipboard, however. The number of new houses under construction in Norway has fallen sharply—for the whole of 1984 housing starts totalled some 25,000, a drop of 25 per cent on 1983 — depressing demand. At the same time pressure on the market from foreign suppliers, in particular Sweden, has grown substantially.

Norske Skog has concentrated increasingly on newsprint production and has recently increased its stake in another leading Norwegian producer, Follum Fabrikker, to 45 per cent from a previous level of 32 per cent, in order to strengthen control of the two companies' joint marketing activities.

Together the two companies have a capacity of about 650,000 tonnes a year of newsprint, giving them a significant presence in the European market. The latest purchase of around 13 per cent of the Follum equity has cost around NKr 70m.

Last year Norske Skog also bought a 19 per cent holding in Granli Trevaror (Sigdal), a maker of wooden furniture in southern Norway, as part of a strategy to gain greater profitability for the chipboard division. There is substantial overcapacity in standard chipboard production in Europe, and the group is seeking, therefore, to increase its presence in the manufacturing of more sophisticated components and products.

The financial collapse of the Tofte pulp mill was a substantial blow to Norske Skog's prestige, as it had been the main supporter of the project for much of the 1970s.

Already by the end of 1981 the shareholders had to pump in new capital into the Tofte mill, leaving Norske Skog with 58 per cent of the equity. Higher interest rates, too much capital tied up in excessive wood stocks and start-up problems hastened its downfall.

Norske Skog's own financial health was inevitably impaired and had to be remedied with a new capital injection from shareholders during early 1983. Tofte, which was run by its main bank creditor, Bergen Bank, for a year, was finally financially reconstructed in mid-1983, with Norske Skog taking a renowed share of 12 per cent and Bergen Bank itself 40 per cent. It remains one of the biggest bankruptcies in Norwegian history.

Helped by the powerful surge in the Oslo stock market, Norske Skog shares have recovered strongly, since the price fell as low as NKr 40 per share during the black days of 1982. In recent weeks they have been at an all-time high of around NKr 300, and profits of the group's newsprint operations should benefit further from the price increases pushed through in the last quarter of 1984 and the first quarter of this year.

Emphasis moves to new products

SCHAUMAN, the dominant forest products company in Finland's Vasa province, is one of Finland's top ten pulp and paper producers and one of the country's 20 largest industrial enterprises.

It is by far the largest employer in Jakobstad (Pietarsaari), although the workforce at its sawmill and pulp and paper plants has been shrinking inexorably as a result of continuing capital investments in new plant and equipment.

According to Mr Magnus Wangel, Schauman executive vice-president for pulp, paper and converting, the number employed at the Pietarsaari mills has shrunk from close to 2,500 in the mid-1970s to 1,500 ten years later. The main way of reducing the workforce has been a stop on recruitment and early retirement. "The gate opens in only one direction," he says.

Schauman is a medium-sized forest products group measured against the giants in the sector, but it does have a major presence as a producer of market pulp and it is the largest producer of plywood and chipboard in Finland. It claims to lead the world in plywood product development.

The group's activities are spread throughout two provinces that make up the Finnish section of the mid-Nordic region and include the production of plywood, chipboard, doors and sawn goods from mills in Jyväskylä, the main town in Central Finland Province, as well as the boat-building operations of Nautor in Jakobstad, which were purchased at the beginning of the 1970s.

Schauman maintains its headquarters in Helsinki, and has operations based at 13 different localities in Finland as well as running a subsidiary in France that is

Profile: Schauman

involved in the production of packaging materials. The group has a total workforce of around 7,000, of which some 1,850 are based in the Jakobstad area.

The influence of the Jakobstad mills spreads far beyond the town into the surrounding forest regions where the group's forestry operations employ a further 700 people. Wood for the mills is procured mainly from the surrounding region including the Swedish-speaking coastal region south of Vaasa, most of Finnish-speaking southern Ostrobothnia, central Ostrobothnia, some parts of central Finland and the southern areas of northern Ostrobothnia.

Some 10-15 per cent of the mills' timber needs are imported, chiefly from the Soviet Union and Poland. There is a potential to cut more in the Finnish forests, maintains Mr Wangel, but the present structure of piecemeal ownership makes it difficult. "The forests are better managed with greater productivity in Sweden," he says, "with more central ownership."

The pulp mill at Jakobstad has a capacity for producing some 430,000 tonnes a year of bleached and unbleached softwood pulp and bleached hardwood pulp. When a new sulphate pulp line was added in 1976 in an investment which has a current value of around FMks 1bn, Schauman became Finland's biggest producer of market pulp (pulp that is sold on to the world market, rather than kept for captive use in further processing).

Schauman appears intent on integrating a larger share of its pulp production into the production of higher value-added products in Jakobstad. "Investment has been focused on the converting plant," says Mr Martin Granholm, purchasing manager for Schauman in Jakobstad, "this is the most profitable part of the operation.

"We are creating new products and going more into packaging with laminates, coated papers and sacks. We have a high level of know-how and the only way to make money with this is to put it into products.

"We have to increase the degree of converting, with more and more sophisticated end-use products. That needs a lot of strategic thinking, there are problems in competing in pulp with countries with cheaper raw materials.

"In one way or another we must go abroad and get closer to the market. You cannot sit at home and read about developments in written reports. Then it is already too late."

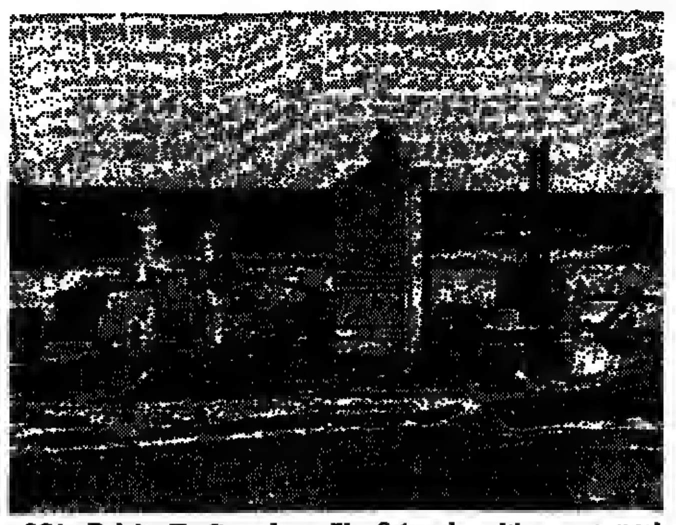
Schauman uses around 130,000 tonnes of its pulp production for conversion into kraft paper of which around half is in turn processed further by the packaging materials division.

The Jakobstad mills have a capacity for producing 135,000 tonnes of kraft paper, 175m paper sacks a year and 38,000 tonnes of industrial paper. Last year the packaging division bought a plant in Vaasa that makes sacks, covers and packaging films from plastic in order to widen its know-how in the packaging field.

The Soviet Union is Schauman's main market for paper sacks, taking 50-70 per cent of output, while most of the market pulp and paper production is sold in western markets, chiefly in France, the UK, West Germany and Italy. The Pietarsaari mill is the largest kraft paper producer in Finland supplying Finnpap, the centralised national sales organisation.

As a group Schauman made losses (before appropriations and taxes) in both 1982 and 1983, but the group's performance has improved in 1984 with a 23 per cent rise in sales to FMk 2.6bn in line with the strong recovery in world pulp and paper markets. Sales in 1983 totalled FMk 2.13bn, of which the pulp and paper division accounted for some 30 per cent, the plywood division 20 per cent, chipboard 10 per cent, building products 12 per cent and packaging materials 11 per cent.

The major investment project in Jakobstad is the FMk 140m rebuilding of the mills' wood handling facilities, which should be completed during the spring.



SCA Pulp's Kraft pulp mill, Ostrand, with an annual capacity of about 400,000 metric tons of bleached Kraft pulp and CTMP.

Diversified group is region's biggest employer

Profile: Svenska Cellulosa

SVENSKA Cellulosa (SCA), with its headquarters in Sundsvall, is the largest industrial enterprise in the mid-Nordic region and the largest private employer. With sales last year of around $1.5bn it is one of the largest forest products groups in Western Europe and certainly one of the most profitable.

The recent takeover of Billerud by Stora Kopparberg has for the moment knocked it off its perch as the largest in Europe, but it remains the largest private forest owner in Western Europe. It has around 4,200 employees in the Sundsvall area alone and a workforce of some 5,500 in the mid-Nordic region of a total group workforce of more than 15,000. It also owns large holdings of hydro-electric power through its subsidiary *Bakab*.

SCA has diversified its activities considerably in the past 10 years, although its operations remain tied closely to the area of fibre processing. As late as the mid-1970s more than 80 per cent of SCA's sales were derived from forestry and forest products, but today this share has fallen to around 40 per cent, chiefly through the acquisition of Mölnlycke.

Mölnlycke, taken over in the *mid-1970s*, supplies fibre-based disposable hygiene products, and now accounts for around 30 per cent of SCA group sales. It is followed by SCA Packaging which includes four partly-owned associated companies.

SCA's forest holdings amount to 1.7m hectares of productive forest land, equivalent to 80 per cent of the land area of Wales or half of Switzerland. These forests supply 60 per cent of the group's fibre raw material needs, the highest level of self-sufficiency in the Swedish forest industry and very high too by international standards.

An intensive programme of reafforestation has substantially *increased the growth of* the SCA forests allowing timber harvesting to increase by about 70 per cent since the 1950s. It forecasts a further rise of 40 per cent by the year 2000. SCA spends about $15m a year on silviculture including the planting of around 60m seedlings a year, all raised in the company's own tree nursery which is the largest in the world.

About 46 per cent of the group's current forest holdings are spruce and 42 per cent pine, but the proportion of pine will grow steadily during coming years. The cutting age of trees in the existing forests is 80-120 years, but the time needed to reach maturity can be greatly reduced by improving tho condition of the forests.

After 15 years of research, SCA has introduced the large-scale planting of e faster-growing North American pine, the lodge pole pine, to replace indigenous pine at suitable locations in northern Sweden. This species reaches maturity in 50-60 years. Lodge pole pine accounts for around two-thirds of all new plantings and is already planted on around 10 per cent of SCA's total forest land.

The restructuring and concentration process that has characterised the development of the Scandinavian forest is reflected very clearly in the SCA group. In the 1960s the group was producing pulp and paper at 10 units with an average capacity of 70,000 tonnes. Today it is producing from four large mills with an average capacity of 300,000 tonnes a year.

In common with most big pulp and paper producers SCA has managed to increase its cost effectiveness through a drastic programme of energy conservation aimed at reducing oil consumption. It now consumes less than 100,000 cubic metres of oil e year compared with 300,000 cubic metres 10 years ago, and this figure is expected to fall in a couple of years to around 50,000 cubic metres.

SCA, whose principal products are pulp, kraftliner and newsprint, has succeeded in *diversifying* its product mix towards more fully converted products. Today market pulp —that is pulp that is sold outside the group to third party customers—amounts to only 5 per cent of group turnover compared with 75 per cent 20 years ago.

Part of the diversification programme has been to build up a number of corrugated box operations in Sweden and other West European countries including the UK. These companies now have an average annual output of 750,000 tonnes of corrugated packagings and provide a captive market for 40 per cent of the group's kraftliner production.

The other major diversification has been the develop*ment of Mölnlycke into one* of the leading European companies in disposable hygiene products.

Unlike most other Swedish forest product groups, SCA also has an important presence in the engineering sector of the *industry* through Sunds Defibrator, its subsidiary, which manufactures plant and equipment for fibre processing.

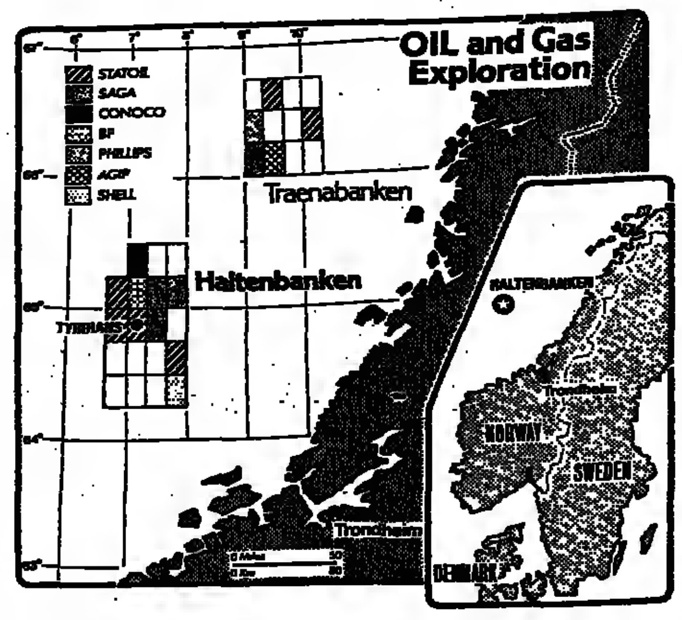
SCA is in the midst of an ambitious SKr 4bn investment programme spread over tho *three years 1984-86, in which* the main project is the construction of a new newsprint machine and pulping facility at the Ortviken newsprint mill. The new machine will raise the capacity of the mill by around 40 per cent to some *600,000 tonnes by 1986*.

SCA accounts for some 25 per cent of Sweden's newsprint production and 40 per cent of the country's linerboard production.

The group is enjoying one of the most profitable cyclical recoveries in the forest industry in recent times, increasing its profits by 64 per cent in 1983 and by 89 per cent in the first eight months of 1984. Profits for the full year are expected to bo around SKr 1.5bn.

Pace of drilling speeded up

Oil and gas exploration



IN THE space of five years as the Norwegian oil and gas search has moved north from the North Sea a new oil province has been discovered off the coast of mid-Norway. A series of finds made on the so-called Haltenbanken blocks have proved so promising that both the oil companies and local officials are now convinced that it is no longer e question of if, but when, the first field development will come.

The recent demise of the Sleipner gas project and the decision of the UK Government to veto the purchase by British Gas of new supplies from the field, has forced Oslo to reappraise its development plans.

It is having to speed up the development of certain key oil discoveries to try to keep an *even flow of orders coming to* the country's offshore supplies industry, a move that could enhance the chances of an early development project offshore mid-Norway.

Many of the discoveries on the Norwegian continental shelf *in recent years have been gas* fields, but on Haltenbanken at least one of the finds, made by Shell on block 6407/9 in July last year, is an oil reservoir.

Drilling on the first Haltenbanken concessions was started by Saga Petroleum in 1980. Several companies showed great interest when the first blocks were awarded. The first seismic surveys on the continental shelf around Haltenbanken were carried out as early as tha end of the 1960s.

Survey work was then speeded up in the middle of the 1970s when the Norwegian Petroleum Directorate began to shoot the seismic, which formed the basis for the oil companies' evalnations of the area.

Four discoveries have been made to date, perhaps the most exciting as recently as last October by Statoil on block 6506/12. The find has already been named, the Smørbokk field, and Mr Tore Sund, Statoil exploration manager, says, "There is little doubt that there will be a commercial hydrocarbon development on Haltenbanken." According to Statoil "the results from drilling on block 6506/12 alone support this statement."

In the latest edition of its quarterly magazine Statoil 85, the Norwegian state *oil* company states simply, "Haltenbanken is one of the most prospective areas for oil and gas in Western Europe."

It appears that the Smørbokk discovery is gas condensate, but it is a substantial find and in terms of oil equivalent it could be at least as large as the Oseberg field which is being developed by Norsk Hydro in the North Sea off Bergen.

The first find on Haltenbanken was made in 1981 by Saga Petroleum. It has discovered gas and condensate on two adjacent blocks, 6507/11 and 6407/2, the so-called Midgard field.

This was followed in 1983 by Statoil, when the *semi-submersible* Dyvi Delta discovered a gas and condensate reservoir in block 6407/1, since named Tyrihans. It was these discoveries, together with two of the latest finds by Shell and Statoil in 1984, that have convinced the oil *industry* of the commercial prospects of Haltenbanken.

Warning note

Mr Tore Sund does sound one warning note, bowever. "*Although Statoil has made it* clear that hydrocarbons at Haltenbanken will be put into production, we still need to work out the ratio between gas condensate and oil. So far only Shell has found a crude oil reserve. There is evidence of some oil in the northern sector of Tyrihans but most of the reserves at Haltenbanken are gas and condensate."

With the latest awards under the ninth round of exploration licensing some 13 concessions bave now been granted. All three Norwegian oil companies, Statoil, Saga Petroleum and Norsk Hydro are now operators in the area along with three foreign oil companies, Shell British Petroleum and Conoco.

The pace of exploration is speeding up considerably and as many as 15 wells could be drilled at Haltenbanken during 1985, about as many as were drilled in the previous four years together. Statoil alone has plans for four wells on blocks where it is already operator, and it also intends to start drilling on the two new blocks awarded under the ninth round.

Until the end of 1984 around NKr 2.5bn had been spent on exploration activities at Haltenbanken, but during 1985 the oil industry could spend that much in just one year.

According to Statoil, the geology of the Haltenbanken area is not very different to the conditions further south on the North Sea portion of the *Norwegian continental shelf*, although reservoirs such as Smørbokk bave been discovered at e much greater depth. A thick seam of coal was discovered under the Smørbokk reservoir.

The water depths vary between *250* and *330* metres at Haltenbanken and it is one of the most difficult operating areas in Western Europe open to cold winds from the north and the west and without any protection from the waves of the North Sea.

The most distant finds such as Smørbokk are as much as 200 km from land, but the Shell discovery on 6407/9 is only around 75 km from the island of Freya, off the coast of Trondheim.

Inevitably at this early stage of exploration estimates of oil and gas reserves at Haltenbanken are still very uncertain, but, according to Mr Harald Vik, head of planning and development in the county of Sør-Trøndelag, by the end of 1984 some 400-500m tonnes of oil equivalent had been discovered, rather more than was found in Statfjord Field in the North Sea, for example.

The discovery of oil and gas at Haltenbanken has convinced the *towns* and communities of mid-Norway that the time has finally come for them too to start drawing some of the benefits in new jobs and new opportunities that the oil industry has brought to coastal regions of Norway further south.

Stavanger was the first town to benefit by the Norwegian oil rush with the discovery of the Ekofisk Field in 1969 and it rapidly became established as Norway's oil capital with the location there of the Statoil headquarters.

The present development phase in the North Sea is being carried out further north, however, and it is Bergen, Norway's second city, which is now featuring more prominently with the build-up of the local administration and production staffs for *Statoil's* Gullfaks Field and Norsk Hydro's Oseberg Field.

In mid-Norway the big decisions are still to be made, although it is clear as a general principle that the Government is keen to spread the future expansion of land-based oil and *oil*-related activities northwards along the coast.

Well-placed city

Expectations are running high in all three counties that make up mid-Norway, Møre and Romsdal, and North and South Trøndelag, and all three have sites on offer for landing terminals, supply bases and administrative offices.

Trondheim, as Norway's third largest city and the country's technological capital, is clearly well-placed and some activities have already been located in the city. Statoil is building up its research and development division there and both Norsk Hydro and Elf-Aquitaine have established liaison offices in Trondheim.

Kristiansund in the county of Møre and Romsdal has captured the main supply base for the exploration phase at Haltenbanken and Statoil is building up a small exploration department there as an off-shoot of its Bergen exploration office. About 23 people should be working there by the summer.

"When the production phase is decided at Haltenbanken, we know the oil companies are interested in concentrating their activities in Trondheim," says Mr Vik. "I think that Kristiansund will be the centre for supply activities to the fields, but the reality is that the rest will be concentrated on Trondheim."

Nautor leads the way

Boatbuilding

CLUSTERED around the towns of Pietarsaari (Jakobstad in *Swedish*) and *Vaasa*, more than 20 boatyards have sprung up in the past 15 to 20 years drawing on a centuries-old tradition of craftsmanship and boatbuilding in the area.

The old crafts were in danger of dying out with the disappearance of the clinker-built sailing cargo vessels. Since the mid-1960s new life has been blown into Finnish boat-building, however, chiefly through the international success of one yard, Nautor, the builder of the Swan ocean-going yachts, which even its competitors recognise to be ebout the most exclusive in the world and definitely the most expensive.

The owners live scattered around the glob, the conductor of a world-famous orchestra, a champion racing car driver, a millionaire publisher, a generous sprinkling of leading doctors and U.S. businessmen. The regattas take place et the most exclusive locations from Antigue to Cowes, and from Newport, Rhode Island to Porto Cervo, *Sardinia*.

But if the money will stretch it is often to the north-western coast of Finland that some of the world's richest yachtsmen look to buy their boats. At Nautor, the most expensive yacht in the present range, the Swan 76 costs FMk 69m, but plans for a new 100-ft yacbt could double or treble that price.

Finland exported boats worth around FM 264m last year and of this Nautor slone accounted for more than one-third.

The yard started in 1966 when a local entrepreneur and sailing enthusiast, Pekka Koskenkyla, began boat-building and commissioned the celebrated New York design team of Sparkman and Stephens with a string of *Americas Cup victories behind* them to design a premier quality boat using the new technique of GRP (glass-fibre reinforced plastic) mouldings for the hull.

The first line to establish the Swan name, the Swan 36, made its breakthrough in 1968 at Cowes Week, one of the most prestigious international yacht racing series. The Swan 36 (Casse Tete II) took part in seven races in seven days and won her class in every race.

In 1970 a Swan 65 (Sayula II) won the first Whitbread Round the World Race, and later this year a new Swan 651 will be taking part in the latest Whitbread race. The boat is sponsored by Fazer, a Finnish producer of chocolates and sweets, and will bave an all-Finnish crew. In 1979 another Swan 65, Independent Endeavour, was the winner of the Parmelia race from Plymouth, England, to Perth, Western Australia.

Since its inception in 1966, Nautor bas produced more than 28 different models. In 1980 it launched the Swan 76, at the time the largest serial-produced cruising/recing yacht in the world, and the company's latest strategy for securing new orders is to go even further up-market with the design of *a 100-foot ocean-going sailing* yacht. This first breakthrough contract was signed three weeks ago.

Biggest rival

Its biggest rival at the top *end of the world's* boet-building business is located only a couple of miles along the coast in the shape of Baltic Yachts, which was formed by a number of former Nautor employees. Other yards in the region include Avance Yachts, Botnia *Marin, Nykra and Scandi Yacht*.

Despite their success in international markets, times have not been easy in recent years for a number of the yards, many started by sailing enthusiasts lacking business expertise and management skills. Several have gone through drastic management shake-ups or have needed a financial reconstruction to survive.

All three, Nautor, Baltic Yachts and Avance have seen the arrival of new managing directors in the last couple of years with the emphasis on marketing and financial discipline rather than just sailing enthusiasm and engineering.

Nautor bad already gone through one period of financial and technical consolidation from 1970 to 1974, when rapid expansion led to financial problems. It became a subsidiary of the Schauman forest products concern. Mr Olle Emmes, who became managing director in late 1982, says that the company by the early 1980s was insufficiently market-oriented, "flexibility was lacking," and a new phase of reorganisation began.

"We produced a lot for stock before and did not react to the market. We were too production oriented. Now we are more ready to listen to customer solutions and the boats are more tailor-made to customer wishes."

With e workforce of 320 and sales last year of FMk 96m, Nautor has been steadily increasing the tonnage of production each year although the number of units is lower some years, varying between some 40-60 boats. The yard lost money in 1982 and 1983, but it enjoyed a stronger year in 1984 and it expects a good year in 1985. More than 55 per cent of this year's production has already been sold.

Demand fell back 1982-83 as part of the general world recession and the yard was forced to take considerable cut-backs in production and lay-off personnel. "We bave quite drastically changed our organisation and philosophy," says Mr Emmes. "We do feel we are better able to cope with recession now, we know better what the customer really needs and are more prepared to meet the market."

With the development of ocean-racing yachts to new extremes in terms of lightness and performance the serial-produced Swans do not feature so often among the winners of major regattas, but Nautor has got round this problem to some extent by promoting its own Swan regattas every two years, belped by image-conscious sponsors such as Rolex and Jaguar Cars.

Venues to date have included Long Beach, California, Cowes and Sardinia. With 30-40 per cent of new sales going to old Swan owners the yard tries hard to maintain contact with existing owners.

It bas continued to use the world top designers, adding Ron Holland and German Frers to the originual team from Sparkman and Stephens. The New Zealander Ron Holland, with boats such as Imp, Regardless, Kialoa and Condor to his name, has had yachts in virtually every major ocean race, and bas now designed five new Swans.

Successes

The Argentinian German Frers also bas a long string of racing successes including Flyer which took first place in the 1981-82 Whitbread Round the World Race. His racing yachts Blizzard and Arcadia were both forerunners of the Swan 51.

The U.S. has emerged over the last 12 months as the leading market for both Neutor and the Finnish boat-building industry as a whole, although other Scandinavian countries, especially Sweden, also play an important role along with West Germany the UK and Switzerland.

Nentor, too, has expanded its market further around the world in the last couple of years with agency agreements concluded in Australia, South Africa and the Far East.

Rapid expansion in Finland

Fur farming

FINLAND IS the leading supplier of farmed furs to the world market and around 85 per cent of production is located in the province of Vaasa, much of it in small farms along the coast of Ostrobothnia.

Fur farming has expanded with extraordinary speed in Finland during the last 15 years and it has been a vital factor in supporting employment in the Vaasa region, especially in the rural areas. It has provided a secondary income for many families also engaged in agriculture or craft industries and supports several thousand jobs indirectly in sectors such as engineering and transport.

Abont three-quarters of Finland's 5600 fur farmers are in Vaasa province. They owe much of their success to a willingness to pool resources in a series of national co-operatives. In the space of a couple of decades they have built up an infrastructure and enterprise particularly in fox farming which virtually is unrivalled in the world.

Finland's ontput of fox furs has increased sharply since tha beginning of the 1970s based chiefly on blne foxes imported for breeding from Norway. At the beginning of the 1970s Norway still exceeded Finnish output, but since 1973 Finnish production of fox furs has risen from 150,000 pelts a year to about 1.8m — some 1.96m in the peak year of 1982 — while Norwegian output has only expanded modestly from 180,000 pelts a year to a peak of around 300,000.

The Finns have accounted for the lion's share of the increase in total world supply to western export markets, which has grown to some 2.7m pelts in 1983 from 611,000 in 1973. The Finns have cornered around 67 per cent of the world market.

Fur farming has clearly taken root more strongly in the Vaasa region than anywhere else in Finland helped by the spirit of entrepreneurial endeavour and independence that characterises the province. It has proved an ideal way of providing jobs away from the main towns, it has allowed for private initiative and at the same time has offered opportunities to other sectors, especially engineering, to establish new activities based on a strong domestic market.

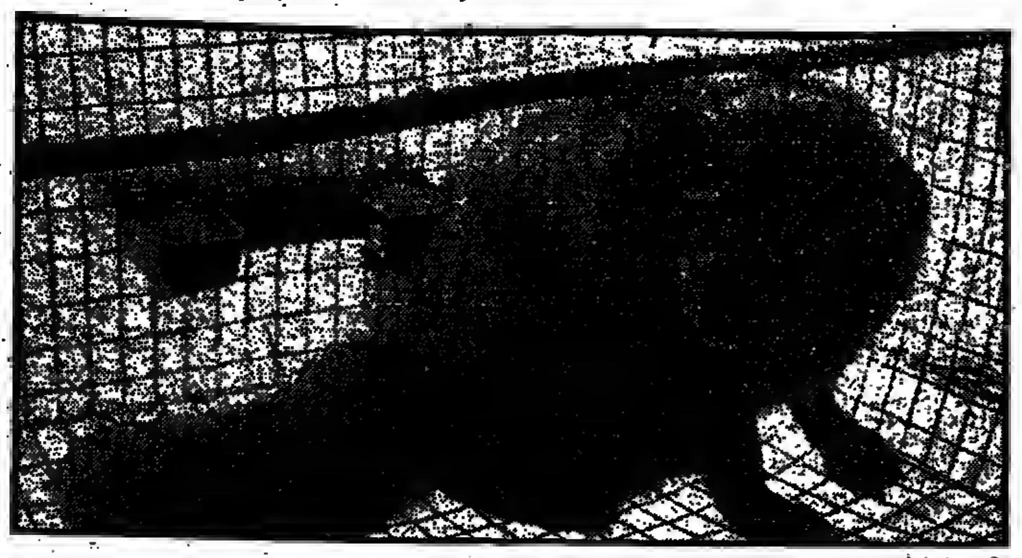
A number of engineering companies have sprung up to provide the specialist machinery and equipment needed by the thousands of small fur farmers, machinery which is now also beginning to find its way on to export markets in countries like the Netherlands, Poland and Canada which are also beginning to build up domestic fur farming industries.

The fur farmers of western Finland had earlier established a strong position in mink farming, although their supplies to world exports of around 4.4m pelts a year is still behind Denmark, which supplied 6m furs in 1983 and the U.S. with 4.6m.

The industry has become a significant factor in the Finnish economy earning export revenues of FM 1.4bn last year, a total that could rise close to FM 2bn in 1984/85 helped by rising fur prices.

With such a rapid increase in output fears were growing during the early 1980s that Finland might be saturating the world market for fox furs, with production outstripping demand and undermining prices. During 1982/83 it seemed that the hubble had burst.

At the auction in Helsinki at the end of 1983 fox fur prices dropped to a record low and Finnish farmers were forced to cut back production to try to boost prices. "Everyone was afraid there could be catastrophe for fox furs," says Mr Roger Nybäck, managing director of Oy Keppo Ab, which runs the world's biggest fur farming operation from Oravais in western Finland. "We cut production by about 20 per cent to try to get world prices np."



Lehtikuva Oy

Silver fox on Finnish fox farm

According to Finnish Fur Sales, an organisation owned by the fur farmers' co-operatives which handles the sales of all Finnish fur, "the sales period 1982/83 was a most difficult and testing time for the fur breeders. Despite some improvement the prices of mink skins remained low.

"At the same time the demand for bluefox skins collapsed, leading to difficulties in the marketing of the large production."

Prices were cut further to try to increase the volume of sales and during the winter of 1982/83 a recommended limit was introduced on the number of bluefox breeders.

Restraints

"In the 1982/83 season there was a crisis in the fur producing industry," says Mr Johan Wallin, marketing manager of Finnish Fur Sales. "Prices were below production costs. With those prices the industry could not have survived."

The combination of prodnction restraints, the resurgence of the world economy and the continued strength of the U.S. dollar, has helped to revitalise the fur farmers' fortunes, however, and this year's auctions have shown prices moving sharply upwards.

Bluefox furs were fetching an average of FM 383 per skin in Helsinki at the January anction compared with FM 234 in December 1983. Buyers were paying around FM 229 for a Scanblack male mink pelt compared with FM 157 14 months ago.

"Production has not been increased, the market has improved and there has been a quick recovery. They are not super profits, but the farmers can make normal returns again," says Mr Wallin.

The improvement in the industry's fortunes has coincided with the transfer to Helsinki of the main auctions for Finnish furs from Copenhagen. The Finnish-Danish co-operation in fur sales — which had been a feature of the fur trade since 1963—ceased in September 1983.

Helsinki has quickly established its preseoce. The move eppears to have been accepted positively and mora than 500 international buyers turned up for the January auction this year. With sales of more than FM 600m the auction became the world's biggest single fur sale overshadowing Copenbagen.

"Demand is coming very much from the U.S.," says Mr Wallin, "more money is being spent on furs and the business climate is in our favour again." Buyers from Italy, Greece and Spain have also been more ective, bnt alongside the U.S. it is the Far East that bas emerged as a mainstay of Finnish fur sales.

Japan took 16 per cent of Finnisb fox sales in 1983-84 with the U.S. accounting for another 16 per cent, South Korea for 12 per ceot, the UK 11 per cent and West Germany, Switzerland, Hong Kong, Canada and Italy all between 6 and 8 per cent. The U.S. and West Germany are the dominant buyers of Finnish mink followed hy the UK, Hong Kong, Switzerland and Canada.

Sales of fox furs have been stimulated by success in cross-breeding aod the different colours that bave been obtained from mutations. Rare colours still fetch much higher prices and since the beginning of the 1970s the share of the once dominant blue fox had fallen from close to 100 per cent to around 74 per cent hy last year.

Attempts to broaden the fur market have also led to the hreeding of new animals such as the Finnraccoon—an animal introduced from the Soviet Union—and the fitch, a close relativa of the mink. Finnraccoon farming was begun in the middle 1970s and today Finland accounts for over 90 per cent of world production.

Volumes are still relatively small compared with mink or fox, but any change in output in Finland has a major impact on the international prices of these skins.

While most of the fur farming in western Finland is conducted by small private farms —the average farm along the coast of Ostrobothnia produces around 1,800 pelts a year, of which close to a third are fox furs—there are also soma industrial enterprises in the sector including Keppo with an annual production in Finland of 350,000 mink skins a year and 90,000 fox skins.

Feed supply

The company started in the lata 1930s when a local entrepreneur imported some mink from the U.S. and started breediog them as a bobby. Today Keppo's farms constitute the world's biggest fur farming operation and the group has spread to Ireland in the search for new sources of feed supply.

Fur production in Finland has long surpassed the ability of the country to adequately supply the industry's most important raw material, namely feed, chiefly fisb and slaughter offal. Feed is increasingly imported from neighbouring countries, the north of Norway, from Sweden, Denmark and the UK and the Soviet Union, but beavy transport costs especially are putting Finnish producers at a disadvantage.

Mr Nybäck maintains that mink production has already reached a ceiling in Finland. "We are not very competitive especially with Denmark, their fish and slaughter offal is 10-20 per ceot cheaper than ours." Keppo is already producing 50,000 mink and 20,000 fox skins a year in Ireland, and Mr Nybäck claims that any future expansion will be made abroad, probably in Canada, Denmark or France.

Norway's fastest-growing industry

Fish farming

THE REMOTE communities among the fjords and islands of Norway's Atlantic coast, many dependent on the fishing industry, have faced hard times as catches have declined and jobs disappeared.

About 20 years ago the Norwegians began experimenting, however, with trout and salmon farming, and in less than two decades a new industry has emerged, aquaculture, which is bringing much-needed new activity to coastal regions.

Supplies of Atlantic salmon were dwindling, while demand was increasing and the Norwegian fjords seemed an ideal breeding ground with clean salt water warmed by the Gulf Stream, but at the same time close to the abundant fresh water pouring from the snow-covered mountains.

Today Norway hoasts around 550 fish farms and 200 hatcheries and production—chiefly of Atlantic salmon—is rising virtually unchecked. New air-freight techniques now make it possible for fresh salmon from Norway to be served to diners in exclusive New York restaurants only 48 hours after the fish has heen taken from the sea and new markets are heing opened up as far away as Japan.

Fish farming or aquacultura has emerged as one of Norway's fastest-growing industries of recent years and an important part of the pioneering work has been carried out in mid-Norway in the two countries of North and South Trondelag.

Trondheim is the location of the fish farmers central sales organisation and close to a fifth of the country's output of farmed fish comes from the region. Starting from scratch in the 1960s the aquaculture industry has expanded to the point where it achieved export earnings last year of around NKr 1bn.

The first farmed salmon did not appear on the market until 1970 and in 1971 production was still struggling to reach 100 tonnes. By 1974 output of salmon had climbed to 600 tonnes but the first farmers—many of them running small family businesses—had troubles in finding a market for their production. Few had experience of sales and marketing.

By 1978 they had decided to form a co-operative sales organisation, however, which has the first right to buy all the farmed production of salmon and tront in Norway.

Last year the output of farmed salmon reached 22,300 tonnes along with 3,600 tonnes of trout. Production of salmon is forecast to rise to 30,000 tonnes this year, to have doubled by 1986 and to have reached 55,000 tonnes by 1987.

Lehtikuva Oy

Fish-breeding hatchery in Suomussalmi, eastern Finland

Even at its best many years ago the catch of wild Atlantic salmon—the total, not just from Norway—was no more than 20-25,000 tonnes and in recent years it has fallen to only 8-12,000 tonnes. Norway's catch of wild salmon in 1983 was no more than 1,600 tonnes, barely 7 per cent of farmed production.

Output doubling

Salmon—by the price it demands—depends clearly on exclusivity for much of its attractiveness and the Norwegians are aware that overproduction could clearly undermine prices, bnt they insist that the market is still far from saturated.

"Many said that when we reached 10,000 tonnes production the price for salmon would be the same as for cod," says Mr Odd Steinsbo, managing director of the Fish-Farmers aSles Company, "but that has not happened.

"We are expanding hy about 40 per cent a year, we are douhling production every second to third year. I have said to the farmers that they must be prepared to accept lower prices, hut from 1982 to 1983 production rose by 70 per cent and prices also went up by 3 per cent. From 1983 to 1984, production went up hy 35 per cent and prices still rose hy 3 per cent.

"Now I don't know what to say to the farmers, I warned them about lower prices, hut it went the other way."

One reason salmon fish farming has been ahle to expand so fast is that the Norwegians have essentially created a new product for the exclusive restaurants of the world—fresh Atlantic salmon, most importantly not frozen, that is available all the year round. Fresh Atlantic and Pacific salmon is available in the U.S., for example, only from June to October.

At the same time the development of air freight techniques means that the market for fresh salmon is suddenly the world rather than countries immediately bordering on Norway that can be reached by road. Around 95 per cent of the production is exported.

Sales to the U.S. only started in 1981 hut by last year they had risen from nothing to 5,000 tonnes a year, accounting for around a quarter of total exports. "Interest for fresh top quality seafood has been increasing in Europe, hut especially in the U.S.," says Mr Steinsbo.

"We are also selling by air now to Japan. Japan is the biggest fish market and tha biggest salmon market in the world. Take the raw fish restaurants in Tokyo, there is no one asking for such high quality. Our job is to convince them that our quality is so good that they should spend two to three times wht they usually pay for salmon."

Norwegian salmon has become the higgest single item of all cargoes air-freighted from Europe to the U.S., amounting now to more than 7,000 tonnes a year inclnding packaging.

"Ten years ago no airline would have fresh fish and ice on board," says Mr Steinsbo, "with the ice melting and the smell. Now there are acceptable packaging methods and all the airlines are competing for this fish."

SAS, the Scandinavian airline, considers the Norwegian salmon shipments "a landmark in diverting commodity shipments from surface to air freight." Hitherto mnch of the salmon has gone to New York and the East Coast, but increasing amounts are shipped to other SAS destinations such as Chicago, Los Angeles and even Seattle.

The fish farming industry is controlled by a national licensing system and competition for new concessions is fierce. According to Mr Knut Hjelt at the district office of the Fisheries Directorate in Trondheim, only six of 120 applications were granted in Sonth Trondelag last year and 10 of 70 in North Trondelag.

For the time being no new licences at all are being granted, but enough bave been given in the past to allow the industry to grow to a theoretical capacity of as much as 70,000-80,000 tonnes of fish a year over the next four to five years.

Already more than 2,500 people are employed directly on the fish farms and another 2,500 indirectly, and many of the farms now play a vital rola in the economic life of coastal communities.

Competitors

Norway accounts for as much as 85 per cent of the world's farmed salmon production and hy 1986 it plans to be producing four times more than the total catch of wild salmon in the North Atlantic.

Competitors are emerging in Scotlaod—currently number two in salmon with an output around 3,500 tonnes—Iceland, Ireland and Canada, and, partly as a result, Norway is already looking to other species of fish to try to spread its risks.

Research is being conducted in Bergen at tha Institute of Marine Research's Department of Aquaculture into the farming of species ranging from cod and halibut to mussels and lobster. A pilot project for the hreeding of cod has been started in North Trondelag, for example, but the main bopes are being placed on higher value fish such as halibut.

Despite sucb work the industry is still very young, however, and Mr Steinsbo insists that its higgest weakness is still the lack of shared knowledge and expertise.

"The bottleneck is not lack of capital but lack of know-how. We only started 10-15 years ago and we should not expand faster than we have the know-how to support the industry. Quality is still more important than having bigger quantities. We need a drastic increase in research activities."

UK COMPANY NEWS

AAH pays Glaxo £15m for drug wholesaler

AAH Holdings, the fuel, pharmaceutical and building supplies distributor, has considerably boosted its drugs wholesale business by buying a Glaxo subsidiary, Vestric, in a deal worth around £13m.

The purchase is via a vendor placing to City institutions and involves issuing 13.54m new shares at 112p. Under the deal, the institutions will be required to offer half to existing AAH shareholders.

"We think we have got the best of both worlds," said Mr Bill Pybus, AAH's chairman yesterday. Mr Pybus said the vendor placing was so constructed as to avoid a heavy rights issue, while offering simultaneously a fair deal to ordinary shareholders.

The purchase terms were put together by AAH's merchant bank advisers, N M Rothschild. They follow a similar deal, believed to be the first of its kind, which was constructed last year by Morgan Grenfell on behalf of its client, Computer and Systems Engineering, which bought an American data communications equipment maker, Rixon, for £23m.

Mr Pybus said a straightforward rights issue would have been two-for-one. But under the purchase terms, shareholders would be offered one new share for every five held. He acknowledged that the terms were designed to offset criticism of vendor placings which are often criticised for diluting ordinary shareholders' interests.

Under the planned deal, subject to AAH shareholder approval and clearance by the Office of Fair Trading, AAH will pay Glaxo £15m for Vestric. The price compares to Vestric's net tangible assets of £25m and AAH says the purchase will boost its earnings per share.

Vestric has been a wholly-owned subsidiary of Glaxo since 1968, but Glaxo is a willing seller because the company did not fit in with its mainstream drug research and manufacturing businesses. Sales, at £323m of which the greatest proportion is to retail pharmacies, will boost AAH's drug distribution sales fourfold. "We believe this deal will make up the number one drug distributor in the UK," said Mr Pybus.

Last year, Vesteric made a pre-tax loss of £0.9m after taking into account charges for management services paid to Glaxo, interest payable and closure costs. For the current year to June, Vesteric's directors are forecasting a pre-tax profit of not less than £1.5m.

Sir Austin Bide, chairman of Glaxo

AAH said in a statement that it did not intend to make a management charge to Vesteric nor to charge interest on the £19.55m loan stock which it is to acquire under the deal.

AAH's traditional businesses have centred on the distribution of fuel and building supplies and road haulage. Nine years ago, however, it diversified into the drugs distribution business by buying Chemists Holdings. AAH reckons that although the department of health and social security has restricted wholesales' gross profit margins and the number of branded drugs dispensed through the NHS, drugs distribution will still provide a secure future for its employees. "The Vestric acquisition gives us a national network," said Mr Pybus.

AAH's 1985 interim results showed unaudited pre-tax profits for the nine months ending December 31 last year to be £6.67m, with earnings attributable to shareholders at £2.37m, equivalent to 7.76p per share. The directors forecast pre-tax profits for the full year ending March 31 to be not less than £11m. Earnings attributable to ordinary shareholders would be £3.7m, or 12.07 per share.

● Union officials representing the 1,700-strong Vesteric workforce will today begin a series of meetings with senior management to seek assurances on job security and continuation of recognition agreements, writes David Brindle.

Mr Andrew Miller, divisional officer of the white-collar union ASTMS responsible for 120 staff at Vesteric's Runcorn, Cheshire, headquarters and Speke, Merseyside, computer centre, said there was concern that the sale of the company could lead to job losses through rationalisation.

Bairstow Eves pushes up profits by 90%

Bairstow Eves, the first residential estate agency to be listed on the Stock Exchange, announced pre-tax profits of £3.06m in the year to December 31 1984, an increase of more than 90 per cent on the previous year's £1.61m.

Turnover was up 71.8 per cent at £14.3m (£8.32m). Earnings per share were stated at 5.84p (4.1p) and a final dividend of 0.9016p (0.644p adjusted) raises the net total from an equivalent 1.288p to 1.5456p on the enlarged capital. A final of 0.805p was forecast last January at the time of the rights issue.

The company expanded its agency network from 66 offices to 94 during 1984. The acquisition of the estate agency business of Taylors in Northamptonshire and Buckinghamshire and the mortgage and financial services business of Rainbow have proved highly successful, says the board.

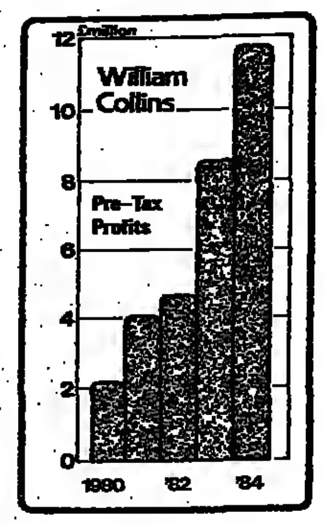
The board is expecting considerable growth during the current year, when the programme to extend the range of financial services through Bairstow's network of residential offices will be completed.

● comment

Competition is hotting up between the three quoted home property companies. Bairstow Eve's 90 per cent increase in profits followed speculation that it was mounting a bid for Connells, its smaller competitor. Bairstow already holds an unnotifiable stake of less than 5 per cent in Connells and believes it to be a potentially good investment. Add to this scheme Bairstow's intention to spend the £6.8m it raised from shareholders last year on branch expansion and the stage is set for a major move by Bairstow sometime this year. But while two's company, a third estate agent, Mann and Co, listed just last week, makes up the crowd, as they, and a host of others, jostle not only for a share of the housing market but also the growing demand for mortgage and insurance service, described loosely as financial services, which made up about 20 per cent of Bairstow's profit in 1984. Bairstow in fact intends to spread financial services including in due course, conveyancing, throughout its 94 branches. The main contender now in this market is Lloyd's Black Horse group, the largest home estate agent in the UK. Bairstow's results compare well against those of its competitors, Mann expecting around £2m pre-tax in the year to May 1985 and Connells expecting about £1.8m, up 20 per cent, in the year to December 1984. Acquisitions Peter Rainbow and Taylors are now well-merged into the Bairstow fold, as the company looks to a year of further activity. Profit for 1985 could be £4.25m and earnings per share up to 6p, giving a prospective p/e of about 13.6, at 81p.

Collins rounds off five year profit plan with 37% rise

A RISE of 37 per cent in taxable profits marked the final year of William Collins' five-year plan to restore profitability, and the directors consider that a secure financial base has been established. Profits rose from £8.55m to £11.75m in the 12 months to December 30 1984, with all divisions in the UK performing "extremely well."



Collins is a publisher which also manufactures, distributes and sells its products. News International holds nearly 42 per cent of the equity.

Shareholders are to receive an 18 per cent increase in the dividend with a final 1.5p higher at 9p net per share, for a 13p total. Earnings are shown at 40.1p (38.8p) per ordinary and A non-voting 25p share.

The directors say that the integration of Granada Publishing, acquired in 1983, was finalised in the second half of the period under review, and all the overseas companies now handle the marketing, sales and distribution of Granada books in their respective markets.

They expect this will bring further benefits in the current year and beyond.

They say that results in Australia were disappointing, but a good recovery is expected in the current year.

Sales were up from 105.13m to £123.63m, an increase of nearly 18 per cent, from which net operating expenses took £15.16m more at 110.66m. The share of profit of associated companies was up from £593,000 to £836,000.

The improved result was struck after net interest charges of £2.06m against £1.67m, and was subject to tax of £4.84m (£2.04m).

From net profits of £6.91m against £6.51m, dividends will account for £2.24m (£1.9m), leaving £4.67m (£4.61m) as retained profit.

Net borrowings at £11.8m are £1.1m up on 1983, though the directors say that the ratio of net borrowings to shareholders funds has been reduced from 28.8 per cent to 27.4 per cent.

The directors express their hope that the Chancellor can be persuaded against the imposition of VAT on books in the forthcoming budget. Such an action they say, would "cause major job losses and seriously damage publishing, book manufacturing, bookselling, the public library system and education, and jeopardise the book trade's valuable contribution to British exports."

See Lex

London Shop

With net property revenue up from £3.61m to £4.69m, pre-tax profits of London Shop Property Trust advanced to £3.2m for the half year to October 31 1984 against £2.39m last time.

Tax took £1.18m (£1.01m) and stated earnings per 25p share were 4.08p (adjusted 2.77p) basic, or 3.7p (adjusted 2.7p) fully diluted. The net interim dividend is up from an equivalent 1.33p to 1.35p—last year's total payment was 4.41p after adjusting for the one-for-two scrip.

Mitchell Somers makes further £1m disposal

Mitchell Somers, the West Midlands engineering group, has agreed to sell its Wolverhampton Die Casting subsidiary to Cookson, the metals and chemicals group, for its net asset value of about £1m.

It is the second significant disposal by Mitchell Somers in the past year. In August, it sold a forging subsidiary, Mitchell, Shackleton, to a U.S. forging group for £2.1m.

Wolverhampton Die has two operating subsidiaries, pressure die castings in aluminium and zinc alloys together with related tools and dies.

In the year to March 31, 1984, Wolverhampton Die made trading profits of £568,000 but pre-tax profits of only £83,000. At that date, Mitchell Somers' investment in the company was £2.2m, represented by net assets of £1.2m and intra-group indebtedness of £1m. In addition, the company had bank borrowings of £1.9m.

Since December, 1984, Wolverhampton Die has experienced difficult trading conditions resulting in losses being incurred in the current financial year and an increase in bank borrowings to about £2.5m. In addition, 90 of the 350 workforce have been made redundant. It is also expected that the value of certain assets and stocks will be written down prior to disposal.

The purchase price, to be paid in cash, will be based on the audited consolidated net assets of Wolverhampton Die at March 30, 1985. Also, following the disposal, Cookson will repay the company's intra-group indebtedness to Mitchell Somers, diminished to the extent that Wolverhampton Die, has net liabilities at March 30.

Despite these difficulties, the board of Mitchell Somers believes the group's profit for the current year will be reasonable, as stated in the interim report, due to progress made elsewhere.

Cookson said it was making the purchase to build up its Fry's Diecasting subsidiary. The two together would have annual sales of about £18m.

It is expected that the transaction will be completed by April 30 next.

Matthew Clark on course to achieve full year target

IN THE eight months to December 31 1984 pre-tax profits of Matthew Clark and Sons (Holdings) surged from £3.39m to £4.23m, just £20,000 below the record set for the full 1983-84 year.

The directors believe the final figures should demonstrate the continued growth and prosperity of the company.

Meanwhile, the interim dividend is being stepped up by 1p to 5p net per 25p share. Earnings came through 5.8p higher at 31.4p.

Excluding duty, turnover rose by 12 per cent to £39.18m—the group is a wine and spirit merchant.

Among the subsidiaries J. E. Mather & Sons benefited from consolidation of the John Holt Vintners business and continued to increase its share of the British wine market. Finsbury Distillery, Malcolm Cowen and Matthew Clark, itself, all made progress.

The scale of the Crokerton Haulage operation was substantially reduced and similar results to last year were achieved.

Group operating costs for the eight months increased from £31.47m to £34.95m, tax took £703,000 (£476,000) and minorities accounted for £853,000 (£678,000).

Profits attributable to ordinary shareholders improved from £1.11m to £1.36m.

● comment

Unusually for Matthew Clark, most of its brands have come on strongly at the same time, which accounts for yesterday's figures being at the top end of most expectations. The depressed cognac market meant that Martel had to struggle to maintain profitability but everything else increased volume sales and even the new products did well. Best performer was Mather's British sherry, benefiting from own-brand sales to supermarkets and the absence of royalty payments to John Holt. The only lingering problem seems to be the haulage interests but recent rationalisation should ensure that the current year is the last in which losses are incurred. The current momentum should carry the company to about £5.3m this year which on a 42 per cent tax charge puts the 510p shares, up 30p, on a prospective p/e of 10. Next week's Budget holds its usual uncertainties for the drinks sector.

European sales boost Comcap

THE EXPANSION of sales teams across Europe continued at Comcap during 1984, and pre-tax profits were shown as rising from £1.55m to £2.94m, with almost three-quarters of turnover and pre-tax profits coming from non-UK operations. The group's main activity is the supply and financing of IBM computer equipment.

Turnover rose to £33.6m compared with £32m, reflecting higher sales activity in lower cost IBM peripheral and terminal equipment.

At the time of flotation, last May, the directors estimated that the equipment portfolio would contribute £2.5m to future profits. A valuation of the enlarged portfolio as at December 31 1984 indicates a future potential profit from this source approaching £5m; equipment carrying 55 per cent of this value reverts to the group by December 1987.

As indicated in the prospectus for the group's full listing, when 5.6m shares were offered for sale, the final dividend is recommended at 0.6p, to make a total of 1p.

Earnings per 5p share for the year are shown as 12.87p (8.78p).

● comment

The current financial harvest available in the computer leasing sector is plain to see in these vintage figures from Compac. Profits are 90 per cent ahead and the share price responded accordingly—up 43p to 265p. The best feature is quite clearly the impressive rise in the gross margin from nearly 10 per cent to 15 per cent on a sales rise of barely 5 per cent. The explanation is that the company has been concentrating on higher-margin peripherals and terminla equipment to the extent that mainframe turn-over has reduced from around 55 per cent to roughly 45 per cent of group sales. Another element is the higher quality of earnings available from shorter-term operating leases which, thanks to the proceeds of the recent flotation, have been built up to around 30 per cent of the business. With a strong balance sheet there seems no reason why the underlying base should not continue to steam ahead with the help of acquisitions into such viable areas as software and North America but the cream on the cake has to be the company's treatment of residual value which, unlike many other leasing companies, goes straight through to the bottom line only when realised. On current sums, the present £56m portfolio of leased equipment will generate around £5m of future profits anytime after 1987. All this makes a historic p/e of 20 look as if there could still be some wind left in the sails.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Bairstow Eves†	0.9	April 29	0.64*	1.55*	1.29*
Belgrave	4.2	—	nil	4.2	nil
Matthew Clark ....int	5	April 30	4	—	12
W. Collins	9	May 20	7.5	13	11
Comcap	0.6‡	—	—	1	—
Edin Fund Mgrs‡	3	—	—	4	2.2
Hawtal Whiting‡	1.5	—	—	1.5	—
Kleinwort Benson†	9	May 15	7.5	14	12
Pentos	0.35	June 29	nil	0.35	nil
TR Pacific	1	May 10	1	2	2
Yorks Chemicals	1.75	May 17	1.25	1.75	1.25

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock.

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Kleinwort Benson surges by 40% to over £30m

Kleinwort, Benson, Lonsdale, the merchant bank which handled Telecom's record share issue, yesterday reported a 40 per cent increase in net profits for 1984.

Group profit, after tax and transfer to inner reserves, climbed from £21.68m to £30.28m and disclosed earnings per share were 14.37p higher at 54.09p.

A 16.7 per cent increase in the dividend is being recommended with the directors proposing a final payment of 9p, against 7.5p, making a total of 14p.

As well as Telecom's flotation, Kleinworth was also engaged in the successful defence of John Waddington, the restructuring of Johnson Matthey, and the acquisition by the Al-Fayed brothers of Lonrho's 29.9 per cent stake in the House of Fraser.

Yesterday's statement gave a first-ever breakdown of sources of profit and the size of earnings pre-tax because the group feels that there is now need for greater disclosure.

In line with other merchant banks, Kleinwort has normally followed a bare interim statement with a full year announcement showing just one line of post-tax figures.

Most of the profits increase stemmed from Kleinwort's core business, merchant banking, which raised its contribution before tax, loan interest, and after a transfer to inner reserves, from £25.16m to £41.63m.

"The contribution to the year's results from commercial banking was significantly higher, and that from domestic corporate finance was outstanding," says Mr R. A. Henderson, group chairman.

"We continue to see an increased contribution from our overseas subsidiaries," he says, and "the attributable profit of the M & G Group has also risen handsomely."

Bullion broking profits fell by £2.34m to £4.97m, while investment management and unit trusts achieved a 14.7 per cent increase to £5.94m. There was an attributable post-acquisition profit contribution of £3.51m from the U.S. Government securities dealing side, Kleinwort Benson Government Securities.

PROFIT AND LOSS

	1984 (£m)	1983 (£m)
Merchant bkng.*	41.63	25.16*
Bullion broking	4.97	7.31
U.S. Govt. secs.†	3.51	—
Inv. management	5.94	5.18
Other	0.14‡	0.05
Loan capital interest	1.36	5.15
Pre-tax profit	44.55	32.54
Tax	14.27§	10.87§
Net profit	30.28	21.68

* After transfer to inner reserves. † Attributable post acquisition. ‡ Loss. § On disclosed profit.

Interest on loan capital was £11.36m, against £5.15m, and the tax charge on disclosed profit was £14.27m compared with £10.87m.

The group's disclosed consolidated net worth at the year-end amounted to £253m against £215m shown a year earlier.

Regarding prospects, the chairman says that "1984 has been a year in which fundamental decisions have been made on our group's future."

Deregulation now enables Kleinwort to take its place as a member of the London Stock Exchange, which, says Mr Henderson, "has led our ambitions further to the concept of a world-wide securities dealing and distribution business."

When rules permit, Kleinwort has contracted to buy 100 per cent of the business of Grieveson Grant, one of London's largest stockbrokers, and 100 per cent of the jobbing firm of Charlesworth, which will "secure certain gilt edged jobbing skills."

"Our strategy, as a result of the deregulation which is taking place in the London market, is," says the chairman, "for the group to become more deeply involved in international securities dealing and distribution."

As a first step he says that Kleinwort has been dealing in new financial instruments such as financial futures, interest rate and currency swaps and options.

This capability was enhanced by the establishment in Los Angeles in March 1984 of Kleinwort Benson Cross Financing and the acquisition of Kleinwort Benson Government Securities (formerly ACLI Government Securities) in Chicago, one of the 36 primary dealers in U.S. Government instruments.

Finally, Kleinwort Benson Australia (KBA is jointly owned with Colonial Mutual Life of Melbourne), acquired interests in three businesses with a view to establishing an integrated investment banking operation.

A 50 per cent stake in the Australian Gilt Company Group, a dealer specialising in Commonwealth of Australia government securities, forged "another link in the global chain," says Mr Henderson.

This was followed by the purchase by KBA of a 34 per cent interest in the Colonial Mutual Discount Company, which was itself followed at the year-end by the acquisition of a half interest in the Sydney stockbroking firm of Hattersley, Maxwell, Noall & Co.—the last two moves remain subject to official consent.

Kleinwort is in the process of applying for a licence to operate a full branch in Tokyo, where it was the first London merchant bank to open an office—Grieveson Grant's Tokyo office will shortly be integrated.

"Our group," the chairman says, "now contemplates a necessary period of digestion. We have made a number of strategic acquisitions and are now fully engaged in detailed planning on how to operate in the new market."

He adds that "we face major investment in systems for our new activities and competition will increase in some of our market areas.

"However, our business is broad and its foundations are sound. Initial trading in 1985 has been encouraging," he says, "and we are enthusiastic about the new opportunities which will be open to us."

Belgrave resumes dividend

Belgrave Holdings, the West Midlands engineering and property group headed by Mr Abdul Shamji, has turned in taxable profits of £2.29m for 1984, and is to resume dividend payments with a 4.2p final, the first since 1980.

The result compares with a profit of £34,000 last time, and was presaged at the midway stage with a £752,350 surplus (£18,140). The directors then were optimistic of reinstating the dividend in the near future.

They now state that results reflect the growth and diversification of the group's activities. They include contributions from Hales Properties Group and the Birmingham and Leicester International Hotels, as well as substantially increased profits from the traditional engineering business.

Turnover came to £7.4m (£2.42m).

After tax at £1.1m (£5,000) earnings are shown at 14.51p (nil).

Second half recovery for Pentos

PROFITS BEFORE tax of Pentos recovered sharply to £1.79m in the year to end-December 1984 and dividends are being resumed. The greatest part of the profit, some £1.67m, was achieved in the second half.

The result compares with a profit of £287,000 in 1983 which followed losses of over £2m in each of the previous three years.

For 1984 the directors are recommending a final dividend of 0.35p net, the first ordinary payment since a 1.4p interim in 1980. Preference dividends, including arrears, will also be paid.

Net earnings per 10p share are shown up at 3.72p against 0.56p basic, and fully diluted at 2.84p.

Mr Terry Maher, chairman of Pentos, says that the directors now expect dividends to grow at least in line with profits, although the company will continue to retain a high proportion of earnings in view of the opportunities and investment returns available in its continuing businesses.

Looking ahead, he says that during 1985 the directors anticipate a further increase in the profits of each of the continuing activities, and they hope to finally eliminate the remaining areas of loss-making activities. Overall, therefore, they are again expecting a "significant improvement" in results.

In December 1984 the company disposed of the share capital of Ward Lock to Egmont, the UK subsidiary of the Danish publishing group Gutenberghus. Its results are included in the retailing and publishing figures, with profits of £163,000 (£126,000).

Commenting on the 1984 results, Mr Maher says that each of the continuing businesses of Pentos made important progress. Total sales amounted to £51.51m against £47.46m, generating profits, including central and associated company income, of £3.07m (£1.71m).

Profits from retail and publishing, which includes Dillon's bookshop in London, and the Athena Gallery chain, show a 39 per cent increase, from £1.42m to £1.97m. These profits are now split fairly evenly between retailing and publishing activities, Mr Maher says.

The major area of growth for Athena was again overseas, with such sales accounting for 51 per cent (45 per cent) by value of total Athena turnover.

At Athena Canada three new franchise operations were established, and in May 1985 the group plans to open its first U.S. Athena Gallery in Boston.

Office and contract furniture contributed £843,000 to profits, against £321,000. On a directly comparable basis Mr Maher says that sales and profits at Caplan Furniture were both 100 per cent higher than the previous year. The Novus range of computer furniture achieved "continued success" he says.

Profile Expanded Plastics again lost money, however, and its activities are being run down and will be terminated at the end of March.

Property and construction profits moved ahead from £482,000 to £565,000.

Losses on other activities were reduced from £531,000 to £153,000. Each of these remaining businesses is for sale, and the directors expect to substantially complete the disposal programme during the current year, realising a total sum in excess of £2m.

● comment

Terry Maher's perennial optimism is at last proving justified. After the traumas of the early eighties when the frailty of Pentos, a conglomerate constructed out of rapid acquisitions, was laid bare in a series of losses, massive surgery has returned the business to a core capable of renewing the group's growth. The exception is the engineering division, still loss-making albeit at a reduced rate, which will be disposed of this year. The main thrust is now centred upon Pentos' publishing and retailing division (perhaps better described as two divisions) where trading profits increased 40 per cent last year. Three quarters of Athena's profits could well be generated overseas before the end of the decade, mainly in North America. In the shorter term, profits this year should top £2¾m pre-tax and might even get close to £3m. That drops the prospective fully-diluted p/e to around 11 (using the higher figure) at 46p. The shares have moved up sharply in recent months and while the progression should be more gentle from here on the price has not over-reached itself, even if the group still suffers from a credibility gap in some quarters of the City.

David Lascelles on Kleinwort's profit disclosure

Revealing a fuller figure

THE UK accepting houses have always made the most of their privilege to report as little as possible about their financial affairs. But Kleinwort Benson's decision to lift its skirt slightly yesterday marks a gradual trend towards greater disclosure.

For the first time, the UK's largest merchant bank breaks down its profits between banking, bullion trading, fund management and the new U.S. securities business it bought last year. The results also include a figure for pre-tax profits instead of just post-tax.

Mr Michael Hawkes, the chairman of Kleinwort Benson Limited, said that he felt "the nature of our business is not sufficiently understood," and that disclosure would show that banking is still the main activity (it accounts for three-quarters of disclosed profits).

Kleinwort also wants people to see how the contribution to profits of various elements of the group can change. In the past, earnings from Sharps Pixley, the bullion dealing subsidiary, have had their ups and downs. Looking ahead, Kleinworts' forthcoming entry into the UK securities business as part of the City revolution could affect its earnings.

Not that yesterday's figures contained any shocks or succulent titbits. The most sensitive figure of all, that for the hidden reserves maintained by all accepting houses, remains secret. And the profit Kleinwort shows for merchant banking is after the transfer of an undisclosed sum to those reserves, so it does not tell the whole story.

Mr Hawkes also said that he doubted Kleinwort's would ever disclose the size of its reserves so long as it was not legally obliged to.

Kleinworts' move is not the first. Hill Samuel has been giving a profits breakdown for many years, but post-rather than pre-tax. When the present chief executive, Mr Christopher Castleman, took over in 1981, it also started giving detailed interim results rather than the customary vague comment.

But it seems unlikely that greater disclosure will come in a rush. Mercury Securities, the parent of S. G. Warburg, one of the most closely scrutinised merchant banks, seems to be in no hurry to tell the world about itself, though its directors keep the question of disclosure under review. The group's results for the year ending March 31 will contain, pro forma, the elements of the securities group it is putting together with Rowe & Pitman and Mullens, the stockbrokers, and Akroyd & Smithers, the jobbers.

The question is whether clients and investors will, in the longer term, demand to know more about the banks that they are doing business and placing their money with, particularly as they become deeply involved in riskier activities like gilts and equity dealings. The answer is probably yes.

GENSTAR CORPORATION

NOTICE OF PARTIAL REDEMPTION

TO THE HOLDERS OF 14¾% DEBENTURES DUE APRIL 15, 1991

NOTICE IS HEREBY GIVEN, pursuant to the provisions of the Trust Deed of Hypothec, Mortgage and Pledge and a *Deed of Trust and Mortgage (the "Principal Trust Deed"), both bearing formal date of June 1, 1975, as supplemented by* deeds supplemented thereto including, among others, a Supplemental Trust Deed bearing formal date of April 15, 1981 (all hereinafter collectively called the "Trust Deed") between Genstar Corporation (hereinafter called the "Company") and Montreal Trust Company (hereinafter called the "Trustee"), as Trustee, providing for the creation and issue of Debentures of the Company, that (U.S.) $ 2,100,000 principal amount of the 14¾% Debentures due April 15, 1991 of the *Company bearing the undermentioned distinguishing letters and numbers, namely:*

COUPON DEBENTURES, TO BE REDEEMED IN FULL, EACH IN THE DENOMINATION OF (U.S.) $ 1,000 AND BEARING THE DISTINGUISHING PREFIX 6M:

000009	003224	000954	010438	013738	018758	020488	023341	028100	031300	034428	039521	045054	046809
000042	003233	006958	010486	013774	018773	020527	023351	028104	031438	034470	039527	045057	046814
000048	003298	000059	010488	013793	018778	020533	023352	028195	851450	034481	039529	043077	046837
000052	003308	008971	010490	013810	010025	030546	023354	020287	031461	034485	039567	043078	046861
000102	663351	007029	010511	013838	016827	020557	023369	028211	031474	035588	039585	043105	046872
000131	003356	007036	010542	013054	016848	020583	023420	028244	031466	035629	038600	043172	046912
000143	003400	007041	010571	013964	010383	020582	023459	020248	031502	035681	039004	043197	046961
000148	003433	007004	010583	013985	016908	020603	023504	020258	051506	035700	039638	043203	046966
000218	003487	007096	010584	014025	016921	020605	023524	028314	031530	035798	039640	045259	046972
000244	003403	007118	016059	014041	016935	020620	023527	020345	031549	035835	029644	043280	046997
000245	003527	007140	010663	014055	016954	020630	023559	028350	031570	035842	039697	043267	047039
000278	005581	007203	010870	014110	016981	020665	023562	028356	031572	035893	039729	043281	047049
000280	003631	007248	010073	014111	016996	020684	023578	028577	031585	035895	039740	043282	047055
000332	003650	007300	010682	014134	017091	020740	023600	028430	031591	035902	038753	043266	047056
000337	003653	007305	010694	014155	017124	020764	023817	020443	031629	035909	039800	043387	047071
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
002977	006593	010147	013272	016394	019853	023064	027934	031160	034029	039238	042658	046307	049666
002993	006810	010160	013296	016405	019870	023075	027941	031127	034048	059247	042668	046455	049670
005004	006672	010171	013340	016455	019923	023088	027985	031158	034065	039298	042878	040438	049747
003036	006685	010200	013377	010471	019969	023123	027979	051162	034105	039340	042699	046473	049756
003047	006705	010210	013365	010470	020033	023127	027972	021185	034110	059356	042704	046523	049774
005072	006715	010222	013434	016547	020065	023101	027980	021192	034121	039357	042753	040552	049819
003082	006737	010230	013458	016554	020077	023109	027001	031288	034131	039368	042764	046556	049813
00308e	906757	010270	013451	010562	020127	023203	02799e	021282	034137	059384	042765	046568	049855
003097	006785	010303	813493	018577	020148	023223	028014	031292	034175	039387	042702	040601	049892
602130	006784	010357	010505	016600	02021e	023240	028041	031295	034225	039425	042788	046605	049910
003136	0067e0	010385	013602	816601	030254	023268	026069	081318	034274	039440	042786	046806	049925
003142	006837	010400	015611	018818	020260	023277	020122	031326	034363	039481	042883	046750	049934
003153	006851	010403	013650	016010	020279	023287	020124	031330	034369	039484	042891	046777	04e94e
003170	006884	01041e	013663	016619	020302	023330	020143	021348	034373	039486	042893	046784	049958
003190	006929	010421	013761	016687	020380	023388	028151	031356	034381	039496	042899	046788	049977
003160	006936	010431	013710	016665	020475	023339	028175	031375	034413	039510	043024	046798	049992

have been selected by lot by the Trustee for redemption on April 15, 1985, for Sinking Fund purposes only, and will be redeemed on *April 15, 1985*, by payment *in lawful money of the United States of America, at the principal amount* thereof, upon presentation and surrender of the said Debentures accompanied by all interest coupons appertaining thereto which mature after April 15, 1985, at any of the following places, namely: the principal office of the Royal Bank of Canada, Royal Bank Plaza, Toronto, Ontario, Canada, or of Morgan Guaranty Trust Company of New York, 23 Wall Street, New York, New York, United States of America, or, at the option of the holder, at the Royal Bank of Canada, 6 Lothbury, London, England, or at *Banque Générale du Luxembourg, 14 rue Aldringen, Luxembourg, or at* Morgan Guaranty Trust Company of New York, Avenue des Arts, 35, B-1040 Bruxelles, Belgium, or at Société Générale, 29 boulevard Haussmann, 75009 Paris, France. Interest coupons maturing on April 15, 1985 should be detached from the Debentures before presentation and should be cashed by the holder in the usual manner. If such Debentures are presented for payment without all interest coupons appertaining thereto which mature after April 15, 1985, the amount of the missing unmatured coupons will be deducted from the principal amount due for payment.

NOTICE IS ALSO HEREBY GIVEN that, in accordance with the terms of the Trust Deed, all interest on the Debentures so called for redemption shall cease to accrue from and after the 15th day of April, 1985.

Dated at Vancouver, British Columbia, Canada, this 1st day of March, 1985.

GENSTAR CORPORATION
Henri P. Lafleur
Assistant Secretary

UK COMPANY NEWS

All sectors help Edinburgh Fund Managers rise

A 44 per cent rise in pre-tax profits from £2.46m to £3.54m in the year to January 31 1985 is reported by **Edinburgh Fund Managers**.

A final dividend of 3p is being paid making a total of 4p for the year against 2.2p in the previous year. This final payment is 1p higher than was contemplated at the interim stage.

The company's operating profit rose by a quarter from £3.61m to £4.53m, while its other income jumped from £151,000 to £572,000.

A higher tax charge resulted in a 50 per cent rise in earnings per share, from 8.3p to 12.94p.

All sectors of the business contributed to these improved results. During the year funds under management rose by over one-fifth to £654m, the breakdown being: investment trusts £310m—46 per cent of total; authorised and exempt unit trusts £248m—38 per cent of total; discretionary trusts £93m—14 per cent of total; others £12m—2 per cent of total.

The company has long specialised in overseas investment, particularly in Japan. At the end of the year over 50 per cent of funds under management were in Japan, with a further 26 per cent in North America.

● comment

Edinburgh Fund Managers moves from strength to strength, turning in a better than expected 44 per cent profit increase. Shareholders are duly rewarded by a higher than forecast final dividend. The main point on these improved earnings is that they came from the fund management activities rather than from dealing profits, thus providing a degree of stability to the improvement. Dealing profits accounted for less than 30 per cent of overall operating profits. The company's particular investment strength is its overseas expertise, especially in Japan. Last year's good equity markets worldwide have been very much in its favour. Until recently the company has expanded in its traditional areas of investment and unit trust management. Now it is looking to move into other areas—it has hardly scratched the pension fund management sector. The growing trend for pension funds to employ outside expert managers to handle their overseas investment should stand it in good stead. It is also negotiating for a U.S. partner. This year's profits should be boosted by the securing of the investment management of the new unit-linked funds of General Accident Group, where the initial trading has been highly successful. But the main growth this year will still come from the stock-in-trade business relying on continued strong world equity markets. The share price remained unchanged at 275p yielding 2.1 per cent.

Al-Fayeds meet Tebbit to discuss Fraser bid

BY JOHN MOORE, CITY CORRESPONDENT

Mr Norman Tebbit, Secretary of State for Trade and Industry, yesterday met the Al-Fayed brothers, executives of House of Fraser, and Mr Roland "Tiny" Rowland and other directors of Lonrho to discuss the Al-Fayed's takeover of the Fraser stores group.

Earlier this week the three Al-Fayed brothers gained control of House of Fraser with a lightning share purchase in which they increased their stake in the stores group from 29 per cent to 51.03 per cent.

Mr Tebbit is considering whether or not to refer the bid by the Al-Fayeds to the Monopolies and Mergers Commission and whether Lonrho should be released from undertakings given in 1982 that it would not bid for House of Fraser. The undertakings were given following an adverse ruling by the Commission that any bid by Lonrho would operate against the public interest. Last week the Commission reversed its decision.

All three parties involved in the bid appeared before Mr Tebbit in separate meetings. The Al-Fayeds once again were asked to explain, as they had earlier this week at the Office of Fair Trading, whether they had the money to mount their £615m bid for Fraser, whether the money was theirs and whether there would be any need to pay the cash back in due course to other parties using the assets of House of Fraser to do so.

Mr Rowland, at his meeting, argued with other Lonrho directors that there were sufficient grounds for the Al-Fayed bid to be referred to the Monopolies and Mergers Commission and produced a large dossier of evidence about the Al-Fayeds' background and the extent of their wealth, which Lonrho has disputed.

Professor Roland Smith, chairman of Fraser, and the Fraser representatives told Mr Tebbit, who is expected to announce his decision this week, that they had recommended and welcomed the Al-Fayed bid.

Dunhill's £6.4m attempt to 'chercher la femme'

BY CHARLES BATCHELOR

Dunhill Holdings, the luxury consumer products group, is to establish a feminine luxury goods brand name for the first time with the purchase of Chloe, a French fragrances and fashion goods company.

Dunhill is paying £6.4m cash for Chloe, a privately-owned company. It will expand Chloe as a separate operation within the Dunhill group, retaining the Dunhill and Lane brands for exclusively masculine products.

Mr Graham Searle, Dunhill's finance director, said: "At the moment we have no female brand name. Dunhill will retain its masculine image although women buy our smaller knitwear sizes and watches. There will be no 'Lady Dunhill'."

Chloe is currently run by its principal shareholders, M Jacques Lenoir and Mme Gabrielle Aghion. They will continue to be responsible for the management of the business for at least three years. Two Dunhill directors, Mr Tony Greener and Mr Sior Pendle, will also join the Chloe board.

Dunhill will buy all the shares of the two holding companies which comprise Chloe. It will pay £4.8m on completion, due within the next week or so and the balance in three annual instalments. French treasury consents have been obtained.

Chloe employs 94 people in Paris. It makes, sells and licences the production of fragrances and has several shops around the world, including one in London's Bond Street, in Tokyo and Paris. Its women's fashion business is less highly developed.

The company made a pre-tax profit of £1.6m on turnover of £6.2m in the year ended December 1983. Net tangible assets at the year end were £500,000.

The Chloe purchase is Dunhill's first addition of a new brand name to its range since it bought control of Montblanc-Simplo, a West German maker of writing instruments, in 1977.

Dunhill made an unsuccessful £11m takeover bid for Asprey, the Bond Street jeweller, in 1980. Last January Dunhill sold its soap-making business, Richards and Appleby, to Croda International, the chemical processing group, for £2.75m as part of its policy of concentrating on marketing and merchandising rather than manufacturing.

Dunhill is well-placed to make further acquisitions. It had £11m net of cash at March 31 1984 and reported a 38 per cent rise in pre-tax profits to £5.8m in the six months ended September 30 1984.

BT may seek listing in Tokyo

By Alexander Nicoll

British Telecom, privatised last December in Britain's biggest flotation, may apply for listing on the Tokyo Stock Exchange.

The company confirmed yesterday that this was being considered but said a decision could be months away. BT was listed on the London, New York and Toronto exchanges when its shares were offered.

BT's policy is to consider a listing in any centre where a substantial body of shareholders can be identified. This could eventually mean applications to a number of exchanges.

A total of 415m shares, compared with 2.6bn offered in the UK, were reserved for U.S., Canadian and Japanese investors in the flotation, but it is believed many U.S. purchasers have since taken their profits. Japanese interest in the shares is understood to be still buoyant.

AI negotiating large disposal

AI Industrial Products, a ceramics group which has been turned round since 1983 with the elimination of unprofitable activities, said yesterday that it was negotiating the sale of a major part of its business.

AI makes insulators for such customers as the Central Electricity Generating Board and British Rail, and also has an engineering ceramics division supplying the defence and communications industries.

Mr John Briggs and Mr David Valentine became chairman and managing director respectively in 1983 and have overseen a return to profit. Pre-tax profit was £254,000 in 1984 compared with a loss of £286,000 in 1983, on turnover of £12.7m against £13.6m.

The group last year reduced borrowings substantially by selling the Blakey's Malleable Castings division and closed its Bullers engineering division. It also sold a 90 per cent stake in Advanced Materials Engineering, which makes silicon nitrite products.

AI shares rose 4p to 50p yesterday.

Bowater expansion

Bowater Packaging, part of Bowater Industries, is buying Nattrass-Hickey & Sons of Wetherby. Nattrass-Hickey will operate as part of Bowater Bulk Packaging.

Both businesses started operations some four years ago and together project a turnover of £8m for 1985. In a parallel move, Bowater Bulk Packaging is stepping up capacity substantially at Barnsley.

Initially, 194,177 Bowater Industries' ordinary shares will be issued as consideration for Nattrass-Hickey. Dependent on profits, up a further 26,738 shares may be issued early in 1986.

Another Bowater Industries' offshoot, Crosley Builders' Merchants, has doubled its coverage of north Humberside with the acquisition of the British Clay Products Group.

ICI paints disposal

ICI has sold its paints business covering the agricultural, construction and earth-moving equipment sector to Donald Macpherson, a subsidiary of the Swedish chemical group Kemira. The price was not disclosed, but the business is a small part of ICI's Paints division. The sale completes ICI's restructuring of its industrial paints business.

Guinness Peat

Guinness Peat shareholders yesterday approved its purchase of a 28 per cent stake in **Britannia Arrow**, the investment and banking group, and an increase in the company's authorised share capital. Resolutions were passed unanimously at an extraordinary general meeting.

MINING NEWS

Dollar revenue lifts De Beers

BY KENNETH MARSTON, MINING EDITOR

THE COMBINATION of a weak South African rand and a strong U.S. dollar, in which diamonds are priced has buoyed up earnings of South Africa's **De Beers Consolidated Mines** in 1984. However, the final dividend is unchanged at 27.5 cents (12.7p) to leave the year's total at 40 cents.

Net profits for the year before extraordinary items have risen to R677.7m (£312.2m), equal to 188.4 cents per share, from R530.2m in 1983.

A year ago there were hopes that De Beers might have been able to make some reduction in its big stockpile of unsold diamonds. This has not been the case, but the increase has been relatively modest at about $95m from the end-1983 level of $1.85bn.

In rand terms, the stock has grown by R1.62bn to R3.87bn. But De Beers points out R1.38bn, or that 85 per cent of the increase, is attributable to the change in the rand-dollar exchange rate, R45m to the inclusion of stocks of new subsidiaries (formerly associates) and only R191m as a result of further stocking during the year.

Although there was a slight improvement in diamond sales last year the increase of R145m to R575m in De Beers' diamond account largely reflected the benefits of the conversion of dollar sales revenue into lower value rands.

Similarly, this exchange rate factor played a part in the higher investment income since increased dividends from the South African gold investments reflected mine earnings boosted by high rand gold prices.

To a degree exchange rate considerations also played a part in the rise in the share of retained profits of associate companies, notably the Bermuda-registered **Minerals and Resources Corporation** and the South African parent Anglo American and its industrial offshoot **Anglo American Industrial Corporation**.

Interest income has risen in line with high South African rates but interest charges have more than doubled, in line with increased borrowings to finance the diamond stockpile and a higher cost of servicing the overseas loans.

Borrowings have been reclassified into long and medium term liabilities while borrowings of up to one year continue to be reflected in current liabilities.

Consequently, the long and medium term liabilities have increased over the year by R465m and current assets have improved by R185m to show an apparent net increase in funding of R280m. This increase, it is stated, was less than the increase of R349m which would have resulted from applying the change in the rand-dollar exchange rate to such liabilities and assets brought forward from 1983.

The latest results are in line with the better expectations although some observers were looking for an increase in the dividend. But De Beers is not yet out of the wood. After having made a promising start to 1984, world sales of rough diamonds fell back in the second half to leave the year's total little changed at $1.61bn. Demand has still failed to move up into the larger and higher quality gem stones which form the bulk of De Beers' stockpile. *Adverse market factors include* high interest rates, the strength of the U.S. dollar, which has raised diamond prices in Europe, and competition from offerings of good quality cut and polished goods from Russia. Meanwhile, De Beers still has to carry its big stockpile. Until there is firm evidence of a strengthening in world demand for diamonds the shares of De Beers with a dividend yield of a modest 5 per cent still appear to be fully priced.

S African court holds up Apex, Clydesdale merger

THE South African Supreme Court has blocked, pending appeal, the merger of Apex and Clydesdale, the two colliery companies managed by **Gold Fields of South Africa**, reports Jim Jones from Johannesburg.

The merger was proposed to create a vehicle for the development of all of the GFSA group's coal assets and was to have been effected by an acquisition of Apex by Clydesdale. Terms were 260 Clydesdale shares for 100 Apex.

The acquisition terms were contested by eight South African pension funds as being too low for Apex shareholders, but they were prevented from voting against the scheme when the chairman of the Apex shareholders' meeting called to ratify the plans refused to accept proxies from the eight funds. As a result, the eight funds took the matter to the Supreme Court which has refused to sanction the merger.

The court found that insufficient evidence had been presented by Apex and CFSA to prove that the offer was fair. It pointed out that this was a critical factor, as the merger's purpose was to consolidate and rationalise GFSA's coal interests.

The judge said that the smaller the share compensation the greater GFSA's control over Clydesdale would be. He pointed out that had the proxies been allowed to vote and had GFSA not voted in favour of the merger at the Apex meeting, the proposals would have been defeated. The majority, the judge added was clearly dependent on GFSA's block vote.

The judge said that though he respected GFSA's bona fides and commercial judgment, its opinions were admissible only if backed by the facts upon which the opinion was based. This information was not made available to the court, though GFSA was entitled to do so.

Yorkshire Chemicals near £1m as margins improve

More than doubled taxable profits, at £916,000 against £420,000, are shown by **Yorkshire Chemicals** in the year to December 31, 1984.

The result has been accompanied by a 40 per cent increase in the single annual dividend from 1.25p to 1.75p.

The directors say that all sectors of the group produced improved performances, particularly in the latter part of 1984. Operating profits are lifted from £1.16m to £1.78m, on turnover of £31.1m, up 10 per cent from last year's £28.26m—this comprised overseas £24.79m (£22.68m) and UK £6.3m (£5.58m).

The sharp rise in profitability resulted primarily from increased sales of higher margin products, the weaker pound and the introduction of a significant cost-reduction and restructuring programme towards the end of the year. The balance sheet remains strong, say the directors.

As for the current year the directors state that their overriding priorities are to secure the financial benefits of rationalisation

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purposes of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Bejam, Greville Europa, Fletcher Challenge, Lawtex, Victor Products, Wolseley-Hughes.

Finals:—Beatwood, James Fisher, Guest Keen and Nettlefolds, J. Hewitt (Fenton), Invergordon Distillers, Lows Howard-Spink Campbell-Ewald, Sandvik Aktiebolag, Schroders, Ultramar, United Biscuits, United States Debenture Corporation.

FUTURE DATES

Interims:—	
Ash and Lacy	Apr 4
Bryant Holdings	Mar 27
Murray Electronics	Mar 25
Renshaw	Mar 74
Birder	Mar 21
Star Computer	Mar 19
Tay Homes	Mar 21
Finals:—	
A.C. Cars	Mar 21
Breedon and Cloud Hill Lime Works	Mar 29
Bronx Engineering	Mar 21
Enterprise Oil	Mar 26
KCA Drilling	Mar 18
Telfos	Mar 20
Weraldhave N.V. Beleggings	Apr 4

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Nicaragua coffee harvest hit by guerrillas, Page 40

WALL STREET

Extended search for stability

ANOTHER DAY of stabilisation was seen on Wall Street stock markets yesterday after the sharp pullback of last week, while bond prices picked up some early declines as the session progressed, *writes Michael Morgan in New York.*

Stock prices opened marginally ahead and maintained the advantage throughout the day. However, an attempt at a rally as the afternoon wore on proved short-lived and the Dow Jones industrial average closed 3.20 higher on the day at 1,271.75, having been 6.07 ahead at one stage. Volume totalled 93m shares, up from the 84m of the previous day, but still below the levels seen in recent weeks.

In the credit markets, Treasury bond prices advanced late in the day following suggestions in the market that money supply could decline this week after last week's unexpectedly large rise. The price of the key long bond, the 11¼ per cent of 2015, added ⅜₂ to 96⅝₂ on the back of a federal funds rate that opened at 8⅜ per cent and later advanced to 6½ per cent.

In the money markets, yields firmed with the three-month Treasury bill 6 basis points up on Monday's auction level to yield 8.52 per cent. The six-month bill, yielding 8.85 per cent, was 8 basis points higher. Yields on certificates of deposit were up to 10 basis points higher.

Financial Corporation of America, suspended ahead of the announcement that it was to omit its ordinary dividend for the first time, later returned to trade up $¼ at $7⅞.

In the stock markets, Evans Products, the building and industrial products group controlled by Miami financier Mr Victor Posner was delayed in opening as it filed under Chapter 11 of the bankruptcy code. It returned to trade down $¼ at $2.

Crown Zellerback, the paper and pulp group, added $⅝ to $36⅞ after the Hong Kong-based General Oriental Investments – controlled by Sir James Goldsmith of the UK – and two affiliates said they had acquired an 8.6 per cent investment and had received clearance to raise the stake to 25 per cent.

Asarco, the mining group, added $¼ to $26⅝. It has filed a suit in an effort to block further purchases of its stock by the Bell Resources group, controlled by Mr Robert Holmes à Court.

American Natural Resources put on another $⅞ to $61⅝ as it also went to court to fight off the bid by Coastal Corporation. Coastal traded $1⅛ higher at $35⅝.

Smith International, the oil drilling tools company, was unchanged at $11⅝ and Gearhart Industries, the oil and gas wireline equipment group, shed $⅝ to $10¾ as they reached an agreement to end Smith's protracted takeover attempt.

Southwest Air, planning to acquire Muse Air, was $⅝ firmer at $25⅞. Muse dipped $⅞ to $7⅞ in heavy trading while Continental Air, which plans to file a complaint that the proposed merger violates anti-trust laws, traded unchanged at $8⅞.

Elsewhere, Data General was down $½ to $48½. It has made several proposals to buy the military computer unit of IBM's Rolm division.

IBM itself was up ¼ at $131¾, while National Semiconductor shed $⅛ to $10⅞ in further reaction to the introduction by its National Advanced Systems division of two computers which will compete with IBM products.

Among the small aircraft makers, Gulfstream Aerospace dipped $¾ to $14¼ as it unveiled sharply lower fourth-quarter net earnings and announced that research and development had been suspended on its new, single engine Peregrine fanjet aircraft.

Martin-Marietta was down $¼ to $50 as about 600 workers began a strike at a plant in Florida after rejecting a new contract offer.

In the banking sector, Bank of Boston put on $⅜ to $43¾ as the chairman told a Senate subcommittee that the bank had changed procedures to ensure that cash transactions were properly reported to the Government.

Americana Hotels and Realty dropped $4⅝ to $22⅞ after saying that indications of a decline in income could mean reduced dividends from 1986.

Among blue chips, General Motors added $⅝ to $79, and Chrysler put on $¼ to $34½ after its chairman unveiled plans for a new small car project. AT & T was $⅛ firmer at $21⅞.

Actively traded stocks on the NYSE included Phillips Petroleum, down $¼ at $48⅝ and J. P. Morgan, up $⅜ at $45¾.

EUROPE

Record highs sweep away hesitancy

THE HESITANCY displayed on the leading European bourses on Monday was swept aside yesterday as West German and Dutch markets hit record highs.

Frankfurt, which finished just below its record peak in the previous session, stormed to higher reaches with a 10.8 surge in the Commerzbank index to 1,216.1, its third post-war record since the start of the month.

Erratic foreign exchange market movements injected a measure of insecurity into equities and profit-taking nibbled away at opening gains. The market remained essentially firm, however.

Electricals stole the limelight, with Siemens scaling a new high of DM 573.50 with its DM 12.50 surge, while Brown Boveri settled DM 4.30 higher at DM 217.

Banks were also eagerly sought after, with Deutsche closing DM 2 up at DM 424 after touching an early DM 425.70. Commerzbank surrendered an early gain of DM 1 to close steady at DM 185, while Dresdner ended 50 pfg cheaper at DM 187.20 ex-rights after an opening DM 188.

Munich Re shrugged off most of its recent weakness with a sparkling DM 40 rise to DM 1,190, while associate insurer Allianz picked up DM 8 to DM 1,031 ex-rights.

Bonds closed off their highs but gains of up to 50 basis points were secured by the end. The Bundesbank sold DM 45.9m in paper compared with sales of DM 45m in the previous session.

Amsterdam hit another peak with a 2.3 point rise in the ANP-CBS General index to 206.5. Unilever was the star performer. It gained Fl 8.50 to Fl 352.50, a new 12-month peak, while Royal Dutch also broke new ground with a Fl 4.50 rally to Fl 207.60. Philips managed to find support rising 40 cents to Fl 63.10.

Akzo was hotly pursued by U.S. buyers who took the fibres group Fl 1.80 up to Fl 115.40, while AmRo was Fl 2.10 stronger at Fl 76.10 ahead of results.

Bonds benefited from quiet trading and a softer dollar. The CBS Bond index rose 0.8 to 102.7 and the average yield on state bonds fell below the 8 per cent level to finish at 7.96 per cent from Monday's 6.06 per cent.

Select institutional buying gave Paris a small boost, although some price erosion was evident by the close. In shops, Galeries Lafayette rose FFr 17 to FFr 351 and Avions Dassault at FFr 1,185 was FFr 57 higher.

Light trading in Brussels left most share sectors narrowly mixed. Cobepa, Belgium's third largest financial holding company, outperformed the market with a BFr 185 increase to BFr 3,825 on institutional buying in a thin market. Retailer GB Inno BM, in which Cobepa holds a 9.8 per cent stake, surged BFr 110 to BFr 3,380 as investors focused on the retailer's relatively low p/e ratio.

Among utilities, Tractionel put on BFr 70 to BFr 4,350, a new high for the year, and Electrobel picked up BFr 100 to BFr 6,600.

Steady progress was made in Zurich. Among special situations, Hero advanced a further SwFr 125 to SwFr 4,125 on persistent speculation that the food group is a possible takeover target. Hero's board has stated that it knows of no potential buyer but has taken steps to prevent an unfriendly takeover.

Elsewhere, Jacobs Suchard was steady at SwFr 6,250 while Nestlé was pegged at SwFr 8,540.

Financials were actively bought, with Swiss Re firming SwFr 150 to SwFr 9,450 and Zurich Insurance edged SwFr 50 higher to SwFr 20,600, Union Bank shed SwFr 10 to SwFr 3,830 and Swiss Bank added SwFr 3 to SwFr 368. A dividend boost for Holzstoff was translated into 100 gain in its share price to SwFr 2,775, while Schindler encountered profit-taking, turning SwFr 5 down to SwFr 785.

Monday's slide in Milan was reversed with demand picking up in the bank, holding and insurance sectors. Fiat continued to benefit from possible link-ups with overseas car makers and the group rose L65 to L3,000, a high for the year.

Ciga, the hotel holding group, rose L170 to L7,850 on reports of renewed speculation of a takeover, while Centrale, the holding company for Nuovo Banco Ambrosiano, which reported results, gained L40 to L3,315.

Fixed income bonds firmed while Enel indexed and convertible issues were steady.

A firmer bias emerged in Stockholm after a fall in local interest rates and the relaxation of the Government's dividend policy. Electrolux topped the most active list and gained SKr 4 to SKr 326, another high for the year, while Ericsson, also active, rebounded from the sahrp fall on Monday with a SKr 11 rally to SKr 270.

Light profit-taking trimmed recent gains in Madrid although banks managed to resist most of the pressure. Banco Santander gained 1 percentage point to 349 per cent of nominal value and Banco Popular rallied 5 points to 373 per cent.

LONDON

Gilts tarnish after money supply data

GILTS traded erratically in London as a result of volatility in foreign exchange and money markets. Longer-dated gilts initially advanced as stock shortages became apparent as a result of the pound's surge on Monday.

Optimism increased about a reduction in base lending rates from the current 14 per cent and hopes were high that favourable money supply figures could force the clearing banks into an early decision.

These views, however, soon percolated through to foreign exchange dealers and sterling came back sharply. Period interest rates then started to rise and the gilt market lost its impetus.

However, gains were wiped out after banking statistics showed a ½ per cent rise in last month's sterling M3 – double most forecasts.

The FT Ordinary share index looked set to nudge 1,000 again after beginning 5.3 up, but slipped back in later trading to settle 1.2 higher at 990.4.

Blue chip issues featured in brisk trade with British Telecom continuing its upward trend to close 2.5p higher at 137.5p.

Chief price changes, Page 34; Details, Page 35, Share information service, Pages 36–37.

AUSTRALIA

STRONG support for situation stocks led to a late surge in Sydney, pulling the market up from its early lows.

Resource and mining issues, however, generally remained depressed. The All-Ordinaries index ended up 0.2 at 784.1.

Wormald International highlighted trading after takeover bid speculation. The issue put on 37 cents to A$3.50 on a turnover of 5.19m shares.

Hooker, at A$2.09, was 4 cents above the partial takeover bid of A$2.05 a share from Sunshine Australia, and Bell Resources dropped 8 cents to A$5.68 after encountering problems with its proposed Asarco share purchase.

CANADA

A DULL early performance in Toronto contributed to a mixed performance by most stocks. Declines were outnumbering advances, however.

Union Enterprises, in which hostile bidder Unicorp Canada already has a 51 per cent stake, slipped C$⅛ to C$11⅛. Active stocks included Mitel, which was unchanged at C$9⅞, Dome Petroleum, down 2 cents at C$2.65 and Northern Telecom up C$⅛ at C$50.

Gold, oil and gas issues tended to drift lower.

Montreal was also mixed with industrials and banks generally gaining and utilities declining.

SOUTH AFRICA

CAUTIOUS trading ahead of the March 16 budget left issues mixed in a Johannesburg, which lacked direction.

In golds, Southvaal advanced R1.50 to R73 while Kloof shed R1 to R69.50 and Buffels remained unchanged at R69. The bullion price continued to offer no clear lead.

Diamond miner De Beers, the world's largest producer, put on 5 cents to R9.05 after announcing higher annual profits for 1984.

TOKYO

Early gains erased by profit-taking

A BOUT of profit-taking in the afternoon wiped out some of Tokyo's early gains which came after three straight losing sessions, *writes Shigeo Nishiwaki of Jiji Press.*

Biotechnology-related and amorphous alloys issues were the most active stocks.

The Nikkei-Dow market average gained 33.02 to 12,296.87 on a volume of 336m shares, up slightly from Monday's 285m. Advances outnumbered declines by 397 to 344, with 168 issues unchanged.

Several factors were responsible for the morning rally running out of steam. Corporations buying dwindled ahead of the closing of accounts at the end of March, and foreign buying slackened. In addition, the margin-buying balance on the three major exchanges hit an all-time high of Y3,039.8bn last Friday, up Y30.2bn from a week earlier.

Another dampener was the reduced level of dealing by the four main securities companies before their branch managers' meet next week to discuss strategy for the second half of their accounting year ending next September.

Among biotechnology-related issues, Green Cross slipped Y120 to Y3,080 on profit-taking and Meito Sangyo plunged Y250 to Y3,550.

Mochida Pharmaceutical, which had been out of favour in recent days, moved up the maximum Y500 to Y9,150. Ono Pharmaceutical gained Y300 to Y7,450, Dainippon Pharmaceutical put on Y70 to Y5,450, and Tsumura Juntendo advanced Y310 to Y2,350.

Prominant among amorphous materials-related stocks was Unitika, which topped the active list with 15.53m shares changing hands. Bolstered by developments in amorphous fibres, the stock gained Y8 to Y245.

Mitsubishi Steel Manufacturing, third on the active list with 12.48m shares, climbed Y20 to a record high of Y376 on news that the company can commercially produce amorphous alloys. Nippon Kinzoku and Pacific Metals firmed in sympathy, gaining Y38 to Y988 and Y12 to Y432, respectively.

Among blue-chips Sony added Y80 to Y4,700 on increased demand for compact-disc players and 8mm video camera-recorders. Hitachi also moved up Y8 to Y863 and Matsushita Electric Industrial Y10 to Y1,620.

The bond market held steady on speculative trading by securities companies. Most institutional investors stayed on the sidelines, but securities firms traded in the benchmark 7.3 per cent 10-year government bonds on expectations that U.S. economic indicators for February will point to slower economic expansion.

As a result, the yield on the barometer bond slipped to 6.870 per cent from Monday's 6.925 per cent.

SINGAPORE

CONTINUED selling and profit-taking subdued Singapore where the Straits Times industrial index shed 3.98 to 838.02.

The current reporting season has brought some surprises. Inchcape dropped 10 cents to S$2.50 on results which were worse than expected.

Ssangyong Cement lost some of the previous day's gains to end down 31 cents at S$2.59, while Promet resisted the overall trend and put on 4 cents to S$1.57.

In banks, which were generally softer, OCBC slipped 10 cents to S$9.45 and OUB lost 8 cents to S$3.90. Malayan Bank, however, rose 5 cents to S$6.30 and DBS added the same amount to S$6.10.

Hotels, properties and industrials also traded easier, but plantations closed mixed.

HONG KONG

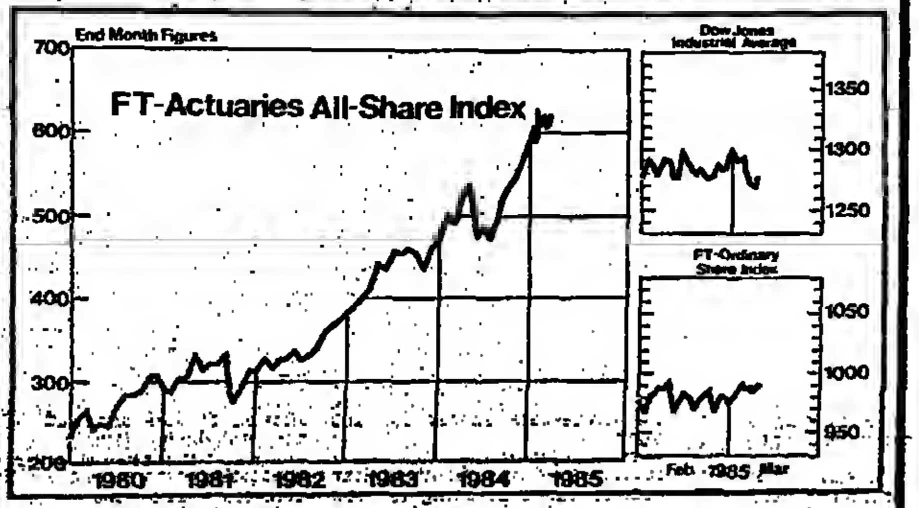
THE LOWER trend in Hong Kong continued with investors remaining cautious before Hongkong and Shangbai Bank and Hongkong Electric's annual results are released.

Hongkong Bank eased 5 cents to HK$8.75 on speculation, later confirmed, that it was planning a rights issue. Hongkong Electric slipped 5 cents to HK$7.30.

Swire Pacific A fell 40 cents to HK$21.70 after heavy selling by small institutions, Jardine dropped 15 cents to HK$9.20 and Hutchison lost 30 cents to HK$20.00.

By the end of trading, the Hang Seng index stood at 1,371.51, down 6.60.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Mar 12	Previous	Year ago
NEW YORK			
DJ Industrials	1,271.75	1,268.55	1,155.36
DJ Transport	615.59	611.71	510.08
DJ Utilities	148.03	147.67	126.35
S&P Composite	179.66	178.79	156.34
LONDON			
FT Ord	990.4	989.2	865.0
FT-SE 100	1,300.0	1,290.8	1,082.5
FT-A All-share	625.86	622.09	510.98
FT-A 500	685.10	680.25	551.44
FT Gold mines	481.7	475.5	693.4
FT-A Long gilt	10.77	10.71	10.22
TOKYO			
Nikkei-Dow	12,296.87	12,263.85	10,086.5
Tokyo SE	977.14	975.66	796.46
AUSTRALIA			
All Ord.	784.1	783.9	719.1
Metals & Mins.	469.0	469.2	495.5
AUSTRIA			
Credit Aktien	73.03	73.13	55.28
BELGIUM			
Belgian SE	2,306.96	2,302.78	–
CANADA			
Toronto			
Metals & Minls	2,047.9 *	2,046.4	2,245.0
Composite	2,604.5 *	2,602.2	2,389.6
Montreal			
Portfolio	130.20 *	130.38	117.34
DENMARK			
Copenhagen SE	175.08	176.34	168.97
FRANCE			
CAC Gen	208.0	207.2	159.9
Ind. Tendance	112.60	112.4	85.04
WEST GERMANY			
FAZ-Aktien	420.87	417.72	341.1
Commerzbank	1,216.1	1,205.3	998.8
HONG KONG			
Hang Seng	1,371.51	1,380.11	1,067.74
ITALY			
Banca Comm.	277.28	276.0	218.14
NETHERLANDS			
ANP-CBS Gen	208.5	206.2	160.5
ANP-CBS Ind	165.3	163.5	131.9
NORWAY			
Oslo SE	327.78	322.83	250.34
SINGAPORE			
Straits Times	838.02	841.98	1,021.21
SOUTH AFRICA			
Golds	n/a	903.8	1,026.3
Industrials	n/a	847.9	1,044.3
SPAIN			
Madrid SE	112.05	112.16	84.11
SWEDEN			
J & P	1,419.18	1,412.2	1,484.36
SWITZERLAND			
Swiss Bank Ind	426.9	426.8	360.0
WORLD	Mar 11	Prev	Year ago
Capital Int'l	195.9	195.6	161.8

GOLD (per ounce)

	Mar 12	Prev
London	$288.00	$290.75
Zürich	$288.45	$291.00
Paris (fixing)	$290.12	$291.22
Luxembourg	$289.45	$290.45
New York (Apr)	$292.30	$290.10

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR Mar 12	U.S. DOLLAR Previous	STERLING Mar 12	STERLING Previous
$	–	–	1.089	1.089
DM	3.345	3.3385	3.645	3.6375
Yen	260.2	259.15	283.25	282.25
FFr	10.225	10.205	11.13	11.1475
SwFr	2.8345	2.847	3.085	3.1025
Guilder	3.791	3.777	4.1275	4.115
Lira	2,095.5	2,087.5	2,281.0	2,274.0
BFr	67.4	67.3	73.4	73.1
C$	1.38975	1.391	1.5055	1.51

INTEREST RATES

	Mar 12	Prev
Euro-currencies (3-month offered rate)		
£	13⅝	13⁷⁄₁₆
SwFr	5⅞	5¹⁵⁄₁₆
DM	6⅝	6⅝
FFr	11⅛	11³⁄₁₆
FT London Interbank fixing (offered rate)		
3-month U.S.$	9⁷⁄₁₆	9⅝
6-month U.S.$	9¹³⁄₁₆	9¹⁵⁄₁₆
U.S. Fed Funds	8⅛	8⁵⁄₁₆
U.S. 3-month CDs	8.9	8.9
U.S. 3-month T-bills	8.51	8.47

U.S BONDS

	Mar 12* Price	Mar 12* Yield	Prev Price	Prev Yield
Treasury				
10 1987	98²⁹⁄₃₂	10.61	99³⁄₃₂	10.52
11⅝ 1992	99¹⁹⁄₃₂	11.77	99²²⁄₃₂	11.68
11¼ 1995	96²⁷⁄₃₂	11.79	97¹⁹⁄₃₂	11.71
11¼ 2015	95²³⁄₃₂	11.76	96⁵⁄₃₂	11.70
Corporate				
AT & T				
10⅜ June 1990	95	11.65	95	11.65
3⅝ July 1990	74¼	10.30	74¼	11.30
8⅝ May 2000	74⅝	12.50	74⅝	12.50
Xerox				
10⅞ March 1993	92¼	12.20	92¼	12.20
Diamond Shamrock				
10⅜ May 1993	61½	12.30	91½	12.30
Federated Dept Stores				
10⅜ May 2013	88.128	12.55	88.128	12.55
Abbot Lab				
11.80 Feb 2013	93.47	12.65	93.47	12.65
Alcoa				
12¼ Dec 2012	94.36	13.00	94.36	13.00

FINANCIAL FUTURES

	Latest	High	Low	Prev
CHICAGO				
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
March	69–24	69–24	69–14	69–28
U.S. Treasury Bills (IMM) $1m points of 100%				
March	91.49	91.54	91.46	91.56
Certificates of Deposit (IMM) $1m points of 100%				
March	91.00	91.00	90.92	91.01
LONDON				
Three-month Eurodollar $1m points of 100%				
June	89.47	89.65	89.43	89.49
20-year Notional Gilt £50,000 32nds of 100%				
March	104–07	105–09	104–08	104–30

COMMODITIES

(London)	Mar 12	Prev
Silver (spot fixing)	508.60p	521.00p
Copper (cash)	£1,262.50	£1,279.00
Coffee (March)	£2,380.00	£2,364.00
Oil (spot Arabian light)	$27.70	$27.70

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
22½	18⅛	AAR	.48	2.4	15	128	19⅞	19¾	19⅞	-⅛
22	9⅜	AGS			11	35	14¾	14½	14½	-⅜
17⅞	13¼	AMF	.50	2.9	39	417	17⅛	16⅝	17	+⅜
43¼	24¼	AMR			9	2771	40⅞	39½	40¾	+1⅛
20⅜	19¼	AMR	pf2.10	11		37	19⅞	19¾	19⅞	-⅛
25⅞	22⅞	ANR	pf2.67	11		14	25¼	25¼	25¼	-⅛
23	19	ANR	pf2.12	9.9		140	21½	21	21½	+½
14¼	0½	APL			3	39	10⅝	10⅛	10½	
67¼	44⅜	ASA	2	4.2		310	48¼	47⅝	48⅛	+⅜
27	19	AVX	.32	1.5	13	165	22⅛	21¾	21¾	-⅞
50⅛	36¾	AbtLab	1.40	2.8	15	2491	49⅝	48⅝	49⅝	+1
25⅞	16⅛	AccoWds	.44	1.8	19	40	24	23¾	23⅞	-⅛
22½	12½	AcmeC	.40	2.5		109	17	16¼	16¼	-¾
19¾	8¼	AcmeE	.32b	3.5	12	5	9¾	9¾	9¾	
17⅛	15	AdaEx	2.11e	13.		76	16¾	16⅝	16¾	+¼
20	11⅞	AdmMl	.32	1.9	7	32	16⅝	16¼	16⅝	-⅛
19½	8⅝	AdvSys	.81f	7.0	19	115	11⅞	11⅝	11⅝	-⅛
41⅛	25⅛	AMD			13	2214	32⅞	32	32½	+⅜
12¾	9⅞	Advest	.12	1.1		82	10⅞	10⅝	10¾	+⅛
14⅝	9¾	Aerflex			13	39	13¾	13¼	13½	
42⅝	27¼	AetnLf	2.64	6.4	39	1762	41⅛	40½	41	+¼
56¾	52⅜	AetL	pf5.83e	11.		50	54½	54½	54½	+¼
32⅛	15¾	Ahmns	1.20	3.9	18	1062	31	30	31	+⅝
4½	2⅝	Aileen			22	33	2⅞	2¾	2⅞	+⅛
51	38⅝	AirPrd	1.20	2.4	11	266	49¼	49	49	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 33

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 34

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 32

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40½	34⅝	WstPP 2.28		6.1	0	505	37¼	35⅛	30	−2¼
11¾	9⅞	WstctT 01.04				26	10⅞	10⅞	10⅞	
6⅛	2⅝	WnAirL				2858	6	5½	8	+⅜
1⅞	¾	WtAir wt				126	1⅝	1½	1½	−⅞
19¼	8¼	WAil pf	2	11.		32	17⅞	17⅛	17¾	+¾
10⅛	8¾	WAir pf2.14		11.		238	19⅝	18¾	10¼	+½
11⅛	4	WCNA				993	5¾	5⅝	8⅜	+¼
115¾	00	WPacl			7	76	s119	114¾	119	+1¼
26⅞	5¾	WUnion				1840	6⅞	6½	8¾	−½
64½	24⅞	WnUn pf				1	23½	29½	29½	+¾
6⅜	3⅛	Wurltzr				5	3⅞	3⅞	3⅛	
19½	10¾	WyleLb .32		2.4	11	350	13⅝	13½	13½	−⅜
21⅞	16¾	Wynns .80		2.8	6	71	21¾	21¼	21¾	+⅝
		X Y Z								
46¼	33¼	Xerox	8	6.8	17	4766	44¼	43⅜	43⅞	−⅝
51⅜	45¼	Xerox pf5.45		11.		53	49⅜	49¼	49⅜	−¼
30	24	ZaleCp 1.32		4.5	9	54	29⅝	29	29⅛	
24⅞	18½	Zapata	84	6.1	16	1243	13¾	d13⅜	13¾	+⅛
58	30	Zayre .40b		.7	14	510	54½	54	54½	+⅛
31¼	19⅛	ZenithE			9	596	22	21⅝	22	+½
21⅞	14⅜	Zero s			19	57	20¼	28	20	−⅛
31⅜	21⅛	Zurnle 1.32		4.5	11	253	23½	29⅛	29⅜	+⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

AUSTRIA

Mar. 12	Price Sch%	+ or —
Creditanstalt	232	......
Goesse	470	—9
Interunfall	505	......
Laenderbank	252	......
Perlmooser	412	+2
Steyr-Daimler	176	+1
Veitscher Mag	387	—1

BELGIUM/LUXEMBOURG

Mar. 12	Price Frs.	+ or —
B.B.L.	1,870	......
Banq. Int. A. Lux	6,050	+50
Bekaert B	6,920	+180
Ciment CBR	2,700	+5
Cockerill	280	—2
Delhaize	8,000	+10
EBES	6,080	+15
Electrobel	8,600	+100
Fabrique Net	2,130	—15
GB Inno BM	6,380	+80
GBL (Brux)	2,155	+5
Gevaert	4,253	+5
Hoboken	6,850	—40
Intercom	2,300	+18
Kredietbank	8,510	+70
Pan Hldgs	11,800	......
Petrofina	7,100	+60
Royale Belge	10,700	—200
Soc. Gen. Banq	3,450	—60
Soc. Gen. Belge	2,026	—10
Sofina	8,010	......
Solvay	4,365	—5
Stanwick Intl.	1,550	......
Traction el	4,550	+70
UCB	6,310	—40
Wagon Lits	2,880	+55

DENMARK

Mar. 12	Price Kr %	+ or —
Andelsbanken	296	—2
Baltic Skand	655	......
CopHandelsbank	289	......
D. Sukkerfab	540	—8
Danske Bank	281	—1
De Danske Luft	1,245	......
East Asiatic	169	—5
Forenede Brygg.	835	......
Forenede Damp.	94	—1
GNT Hldg	424	......
I.S.S.B.	590	—21
Jyske Bank	650	+55
Novo Ind.	1,555	......
Privatbanken	244	—5
Provinsbanken	315	+1
Smidth (F.)	881	+1
Sophus Berend	970	—10
Superfos	487	—6

FRANCE

Mar. 12	Price Frs.	+ or —
Emprunt 4½% 1973	1645	......
Emprunt 7% 1973	7,830	+2
Accor	978.8	—1.2
Air Liquide	624	—7
BIC	563	—2
Bongrain	1,805	+41
Bouygues	639	—1
BSN Gervais	2,521	—8
CIT Alcatel	1,265	—5
Carrefour	1,990	+80
Club Mediter'n	1,245	—27
Cie Bancaire	525	+13
Cofimeg	266	+1
Damart	2,285	—30
Darty	1,267	+2
Dumez S.A.	604	—1
Eaux (Cie Gen)	555	—7
Elf-Aquitaine	245	......
Essilor	2,230	—20
Gen. Occidentale	772	......
Imetal	21.8	—1.7
Lafarge Coppee	436	—8
L'Oreal	2,434	+14
Legrand	2,170	—10
Maisons Phenix	225.9	+4.8
Matra S.A.	1,640	+30
Michelin B	915	—7
Midi (Cie)	2,234	—24
Moet-Hennessy	1,985	—10
Moulinex	111.5	—1
Nord Est	81	+0.5
Pernod Ricard	711	—2
Perrier	540	—5
Petroles Fra.	275.8	+2.5
Peugeot S.A.	278	+2.2
Printemp.Aus.	205	+2.2
Radiotech	270	+1
Redoute	1,281	+23
Roussel-Uclaf	1,667	+8
Sefimeg	322	+1.5
SkisRossignol	2,035	+15
Telemech Elect	3,410	......
Thomson CSF	500	—3
Valeo	230	—0.1

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

GERMANY

Mar. 12	Price Dm.	+ or —
AEG-Telef	110.5	—0.7
Allianz Vers	1051xr	+8
BASF	218.8	+0.4
Bayer	225.5	—1.7
Bayer-Hypo	312	+6
Bayer-Verein	327.5	+4
BHF-Bank	287	+6
BMW	385.6	—1
Brown Boveri	217	+4.6
Commerzbank	185	......
Cont'l. Gummi	134.5	—0.2
Daimler-Benz	686	—9
Degussa	358	—1
D'sche Babcock	166	—2
Deutsche Bank	424	+2
Dresdner Bank	197.2xr	—0.5
GHH	164	—1.2
Hochtief	465	—2
Hoechst	215.4	+0.4
Hoesch Werke	114	+2.4
Holzmann (P)	400	+2
Horten	172	......
Hussel	293.5	+0.5
Karstadt	213	......
Kaufhof	215	—1
KHD	281xr	—0.5
Kloeckner	81	......
Linde	412	+3
Lufthansa	196	+1
MAN	157	—2
Mannesmann	157.8	—0.2
Mercedes Hld	604	—5
Metallgesell	246.9	+2.2
Muench Rueck	1190	+40
Nixdorf	545	+3.5
Porsche	1575	—13
Preussag	269	+9
Rhein West Elect	152	......
Rosenthal	238	—9
Schering	462	—1
Siemens	573.5	+12.5
Thyssen	103.5	+1.2
Varta	185.5	+0.6
Veba	174.5	+4.5
V.E.W.	121.7	—0.3
Verein-West	512	......
Volkswagen	199	—1.8

ITALY

Mar. 12	Price Lire	+ or —
Banca Com'le	18210	+9
Bastogi-IRBS	196.7	+4.5
B. I. Invest.	5,600	+10
Centrale	5,515	+40
Credito Varesino	4,201	+20
Fiat	8,000	+85
Finsider	53.7	......
Generali Assicur.	40,350	+555
Italcementi	64,500	+10
La Rinascente	674.5	—4.5
Montedison	1,467	—2
Olivetti	6,760	—60
Pirelli Co.	4,375	+20
Pirelli Spa	2,251	—2
Snia BPD	2,925	+50
Toro Assic	14,800	—150
do. Pref	11,060	+160

NETHERLANDS

Mar. 12	Price Fls	+ or —
ACF Holding	199	+2.2
AEGON	187	......
Ahold	281	+4.7
AKZO	115.4	+1.8
ABN	401.5	+6.5
AMEV	218.5	+5.5
AMRO	76.1	+8.1
Bredero Cert	164.5	+0.5
Bos Kalis Westm.	15.5	+0.4
Buehrmann-Tet.	90	+2.0
Calland Hldgs	38	+0.8
Dordtsche Pet'm	181	+2.7
Elsevier-NDU	115	......
Fokker	100.5	+0.5
Gist Brocades	186.6	+0.9
Heineken	156.8	—0.8
Hoogovens	83	+1.2
Int Mueller	48	+0.5
KLM	89.4	+2.7
Naarden	42.3	+0.1
Nat Ned Cert	270	—5
Ned Mid Bank	174.5	+1.5
Nedlloyd	178.2	+1.7
Oce Grinten	515.5	+1.5
Ommeren (Van)	29.5	+1.6
Pakhoed	87.3	+0.1
Philips	63.1	+0.4
Robeco	76	—0.5
Rodamco	139.1	—0.5
Rolinco	68.8	—0.7
Rorento	44.1	......
Royal Dutch	207.6	+4.8
Unilever	352.5	+6.5
VMF Stork	147	+2
VNU	213.8	+3
West Utr Bank	106	+2

NORWAY

Mar. 12	Price Kroner	+ or —
Bergens Bank	167.8	—0.5
Borregaard	325	+2
Christiania Bank	143	—1
DenNorske Cred	165	......
Elkem	155	+4
Kvaerner	120	+12
Norsk Data	419	+9
Norsk Hydro	107.5	+1.5
Storebrand	242.5	+2.0

SPAIN

Mar. 12	Price Pta%	+ or —
Bco Bilbao	640	......
Bco Central	518	—2
Bco Exterior	206	......
Bco Hispano	161	+1
Bco Popular	576	+5
Bco Santander	542	+1
Dragados	179.5	+2
Hidrola	84.7	+1
Iberduero	94.7	—1
Petroleos	154.2	—5
Telefonica	168	—0.5

SWEDEN

Mar. 12	Price Kronor	+ or —
AGA	383	—2
Alfa-Laval	190	+8
ASEA (Free)	510	......
Astra (Free)	660	......
Atlas Copco	108	+1
Cardo (Free)	351	+1
Cellulosa	126	+1
Electrolux B	626	+4
Ericsson	370	+11
Esselte	570	......
Mo Och Domsjo	227	+9
Pharmacia	185	—24
Saab Scania Free	420	......
Sandvik	410	......
Skandia	397	+1
Skan Enskilda	81.5	+0.5
SKF	211	+8
St Kopparbergs	157	......
Sven Handlesbn.	268	+9
Swedish Match	222	+5
Volvo B (Free)	228	......

SWITZERLAND

Mar. 12	Price Frs.	+ or —
Alusuisse	897	—5
Bank Leu	5,800	—30
Brown Boveri	1,700	......
Ciba Geigy	8,060	—20
do. (Part Certs)	2,450	+35
Credit Suisse	2,420	+5
Elektrowatt	2,745	+95
Fischer (Geo.)	755	......
Hoff-RochePtCts	89,000	—575
Hoff-Roche 1/10	8,900	—75
Jacobs Suchard	6,250	......
Jelmoli	1,900	+10
Landis & Gyr	1,650	+10
Nestle	5,540	......
Oer-Buehrle	1,485	+18
Pirelli	307	......
Sandoz (Br)	8,028	—95
Sandoz (PtCts)	1,400	—10
Schindler (PtCts)	785	—5
Sika	1,110	......
Surveillance	4,215	—55
Swissair	1,160	......
Swiss Bank	368	+5
Swiss Reinsce	2,450	+150
Swiss Volksbk	1,480	......
Union Bank	5,830	—10
Winterthur	8,760	......
Zurich Ins	20,600	+60

AUSTRALIA

Mar. 12	Price Aust $	+ or —
ANZ Group	4.32	......
Alliance Oil Dev.	1.05	......
Ampol Pet	1.83	......
Ashton	1.93	—0.01
Aust Cons Ind.	0.91	+0.01
Aust. Guarantee	2.38	—0.07
Aust. Nat. Inds	2.55	......
Aust. Paper	2.48	—0.01
Bell Group	6.44	+0.14
Bell Res	5.66	—0.06
Bond Corp Hldgs	1.48	—0.01
Boral	3.34	+0.01
Bougainville	1.87	......
Brambles Inds	3.6	—0.02
Bridge Oil	2.15	—0.05
B.H. Prop	5.56	+0.02
CRA	5.66	—0.04
CSR	2.71	—0.01
Castlemaine Tys.	4.75	+0.1
Coles (G.J.)	3.65	......
Comalco "A"	2.5	......
Consolidated Pet	0.45	—0.05
Costain Aust	1.6	......
Dunlop Aust	2.17	......
Elders IXL	3.20	—0.07
Energ Res.	1.45	......

AUSTRALIA (continued)

Mar. 12	Price Aust $	+ or —
Gen Prop Trust	2.15	—0.01
Hardie (James)	5.06	......
Hartogen Energy	2.18	......
Herald W'yTimes	5.97	—0.05
ICI Aust.	1.88	—0.04
Jimberlana F.P.	0.25	......
Kia Ora Gold	0.19	......
Lend Lease	8.8	+0.1
MIM	2.86	+0.08
Meyne Nickless	3.18	+0.05
Myer Emporium	1.78	......
Nat. Aust. Bank	6.47	—0.04
News	13.8	......
Nicholas Kiwi	2.05	—0.02
North Bkn Hill	2.28	—0.03
Oakbridge	0.76	+0.02
Pancont'l	1.28	—0.02
Pioneer Conc.	1.60	—0.01
Poseidon	5	......
Queensland Coal	1.4	+0.01
Reckitt & Coln	5.4	......
Repco	1.17	—0.01
Santos	8.26	—0.08
Smith (Howard)	8.85	......
Thos. Nstwide	1.85	+0.07
Tooth	6.8	......
Vamgas	5.20	—0.1
Western Mining	3.48	—0.07
Westpac Bank	6.34	......
Woodside Petrol	0.78	+0.01
Woolworths	5.21	......
Wormald Intl	3.50	+0.07

HONG KONG

Mar. 12	Price H.K.$	+ or —
Bank East Asia	23	......
Cheung Kong	18.8	+0.10
China Light	16.2	......
Evergo	1.49	—0.05
Hang Seng Bank	46.75	+0.25
HK Electric	7.5	—0.05
HK Kowloon Wh.	5.8	—0.15
HK Land	4.8	—0.12
HK Shanghai Bk.	8.75	—0.05
HK Telephone	69.8	—1.0
Hutchison Wpa	20.0	—0.6
Jardine Math.	2.2	—0.15
New World Dev.	5.8	+0.05
Orient O'seas	8.32	......
Oseas Trust Bk.	2.79	—0.08
SHK Props	8.25	—0.05
Shell Elect	1.75	+0.08
Swire Pac A	21.7	—0.04
TV—B	6.0	......
Wheel'k Mard A.	7.55	+0.05
Wheel'k M'time	1.10	......
World Int. Hldgs.	1.85	—0.05

JAPAN

Mar. 12	Price Yen	+ or —
Ajinomoto	1,050	—10
Alps Electric	2,520	+10
Amada	1,170	......
Asahi Chem	720	—2
Asahi Glass	865	+6
Bridgestone	618	—5
Canon	2,430	—10
Casio Comp	1,940	......
Chugai Pharm	1,040	—20
Citizen	570	—5
Daiei	620	......
Dai Nippon Ptg	1,030	......
Daiwa House	850	+5
Ebara	588	+20
Eisai	1,920	......
Fanuc	13,100	+50
Fuji Bank	1,610	+10
Fuji Film	1,850	—10
Fujisawa	1,080	+20
Fujitsu	1,310	—20
Green Cross	5,020	—180
Hasegawa	381	—8
Heiwa Real Est	585	—8
Hitachi	883	+8
Hitachi Credit	1,050	......
Honda	1,420	......
House Food	895	—5
Hoya	2,300	+40
Itoh (C)	524	+1
Ito Yokado	9,400	+10
Iwatsu	1,080	+50
JACCS	320	—5
JAL	8,040	—20
Jusco	685	......
Kajima	278	+1
Kao Soap	828	+6
Hashiyama	586	—10
Kirin	685	+8
Kokuyo	895	—5
Komatsu	438	......
Konishiroku	675	......
Kubota	320	......
Kumagai	566	—4
Kyoto Ceramic	8,150	+20
Maeda Const	490	......
Makino Milling	1,500	+20
Makita	1,120	—20
Marubeni	302	......
Marudai	650	—5
Marui	952	—18
MEI	1,620	+10
M'ta Elec Works	725	—4
M'bishi Bank	1,580	......
M'bishi	515	......
M'bishi Elec	388	+4
M'bishi Estate	563	+1

JAPAN (continued)

Mar. 12	Price Yen	+ or —
MHI	252	+8
Mitsui Co	234	—4
Mitsui Estate	888	......
Mitsukoshi	432	—3
NGK Insulators	1,000	......
Nihon Cement	230	+8
Nippon Denso	1,440	......
Nippon Elect	1,150	—10
Nippon Express	345	+10
Nippon Gakki	2,100	—40
Nippon Kokan	157	+2
Nippon Oil	850	—5
Nippon Seiko	650	+2
Nippon Shimpan	825	......
Nippon Steel	152	+1
Nippon Suisan	332	+8
NTV	10,500	—240
Nippon Yusen	245	—2
Nissan Motor	620	+7
Nisshin Flour	452	—10
Nisshin Steel	170	—1
Nomura	1,150	—60
Olympus	1,280	+20
Orient Leasing	3,160	—60
Pioneer	2,900	—30
Renown	618	+8
Ricoh	902	—1
Sankyo	1,230	+50
Sanyo Elect	490	+9
Sapporo	406	+1
Sekisui Prefeb	555	+14
Seven-Eleven	8,800	+50
Sharp	1,070	+20
Shimadzu	828	+8
Shionogi	718	—8
Shiseido	1,040	......
Sony	4,700	+80
Stanley	1,030	+49
S'tomo Bank	1,760	—10
S'tomo Elect	218	+7
S'tomo Marine	605	+1
S'tomo Metal	152	+6
Taihei Dengyo	490	+5
Taisei Corp	208	+1
Taisho Pharm	1,110	—10
Takeda	846	—5
TDK	5,210	+20
Teijin	431	......
Teikoku	645	—1
Tokyo Marine	817	+7
TBS	771	+1
Tokyo Elect Pwr	1,820	......
Tokyo Gas	164	+9
Tokyo Sanyo	720	+2
Tokyo Style	705	......
Tokyu Corp	314	+8
Toppan Print	864	—6
Toray	442	+4
Toshiba Elect	411	—4
TOTO	655	—19
Toyo Seikan	850	+20
Toyota Motor	1,560	+10
Victor	2,260	......
Wacoal	705	+4
Yamaha	800	+50
Yamanouchi	3,770	—20
Yamazaki	627	......
Yasuda Fire	405	—6
Yokogawa Bdge.	410	—8

SINGAPORE

Mar. 12	Price $	+ or —
Boustead Hldgs	1.77	—0.02
Cold Storage	2.71	—0.02
DBS	6.10	+0.05
Genting	5.75	—0.1
Haw Par. Bros.	2.42	—0.05
Hong Leong Fin.	3.18	—0.08
Inchcape Bhd.	2.5	—0.1
Keppel Shipyard	1.71	—0.06
Malay Banking	8.5	+0.05
Malay Utd. Ind.	2.48	+0.06
Multi Purpose	1.0	......
OCBC	8.45	—0.1
OUB	5.2	—0.06
Public Bank	1.65	—0.02
Sime Darby	9.0	......
Singapore Press	6.25	—0.05
Straits Trdg	4.48	—0.06
Tat Lee Bk	2.80	+0.02
UOB	4.46	—0.06

SOUTH AFRICA

Mar. 12	Price Rand	+ or —
Abercom	1.22	......
AE&CI	6.55	......
Allied Tech	48	......
Anglo Am Coal	41.25	+0.25
Anglo Am Corp	22.8	—0.15
Anglo Am Gold	160	+3
Barclays Bank	14.25	+0.05
Barlow Rand	9.7	......
Buffels	69	......
CNA Gallo	2.30	......
Currie Finance	3.5	......
De Beers	8.9	—0.1
Driefontein	49	+0.75
FS Geduld	41.5	+0.5
Gold Fields SA	49.25	......
Highveld Steel	3.85	......
Nedbank	6.6	......
OK Bazaars	12.75	......
Protea Hldgs	1.2	......
Rembrandt	31.5	+0.25
Rust Plat	15.0	......
Salren	12.5	......
Sage Hldgs	6.55	......
SA Brews	6.0	......
Smith (C.G.)	90	+0.25
Tongaat Hulett	5.40	......
Unisec	4.55	—0.1

OVER-THE-COUNTER *Nasdaq national market, closing prices*

LONDON

Chief price changes (in pence unless otherwise indicated)

RISES

Appledore (A&P)	114	+10
Cable & Wire	535	+13
Clark (Matthew)	510	+30
Comcap	265	+43
Distillers	298	+7
Falcon Res	450	+22
GUS A	724	+18
Hawtal Whit	360	+20
Ingall Inds.	93	+8
Lloyds Bank	560	+10
Low & Bonar	363	+28
McAlpine	258	+18
Monk (A)	116	+8
Osceola Hydro.	230	+15
RHM	150	+8
Rowntree Mack	398	+18
Roy. Bnk. of Scot.	278	+6
Saga Holidays	190	+8
Shell Trans	785	+17
TSL Th. Synd.	240	+25
Tesco	237	+10
Waring & Willow.	145	+7
Yorkshire Chem	87	+9

FALLS

Ex 11% '90 (£20pd.)	£20	— 1/16
Ex 12¼% 1999	105½	— ⅝
Epicure	18	— 5
Group Lotus Car	103	—11
GKN	220	— 7
House of Fraser	392	— 8
Utd. Biscuits	192	— 6

Continued on Page 42

CANADA

TORONTO

Closing prices March 12

MONTREAL

Closing prices March 12

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 33

LONDON STOCK EXCHANGE

MARKET REPORT

Further good gains in Gilt-edged wiped out by disappointing money supply figures

Account Dealing Dates

*First Dealings	Option Declara-tions	Last Dealings	Account Day
Feb 25	Mar 7	Mar 8	Mar 18
Mar 11	Mar 21	Mar 22	Apr 1
Mar 25	Apr 11	Apr 12	Apr 22

* "New-time" dealings may take place from 3.30 am two business days earlier.

Volatility in both foreign exchange and money markets yesterday made for an erratic trading sassioo in Gilt-edged securities. Early London stock market sceoes were buoyant following the pound's surge against the dollar and a fresh fall in the key three months interbank rate to under 13 per ceot. Another wave of domestic and overseas support enabled the authorities to sell the remainder of the short tap, £20-paid Exchequer 11 per cent 1990, at 20½, and the balance of the £200m tranche of Conversion 10 per cent 2002. The Government broker also sold supplies of Treasury 9 per cent 1994 and Treasury 2½ per cent index-linked 2016.

The official sales failed to dampen buyers' enthusiasm and longer-dated Gilts gained ½ as stock shortages became apparent. Optimism increased about a reduction in base lending rates from the current 14 per cent and hopes were high that favourable mooey supply figures, due to be announced at 2.30 pm, could force the clearing banks into an early decision. These views, however, soon percolated through to foreign exchange dealers and sterling came bock sharply. Period interest rates then started to rise and the Gilt market to lose impetus.

Awaiting release of the banking otatistics, most gilts were still higher on balance but the gains were wiped out by disappointment over last month's ½ per cent rise in sterling M3. This was double most forecasts. Renewed selling brought quotations down further in a market which appeared to have lost confidence. Sterling's late rally failed to impress and longer Gilt-edged maturities were oometimes ½ lower on the session.

Equities opened resolutely and the FT Ordinary share index seemed poised to test 1,000 again. Early trade was brisk with the accent on blue chip issues owing to the scent of cheaper money trends. British Telecom led the move higher before interest was affected by the gyrations in the gilt-edged market. Several situation stocks attracted demand but most leading equities were content thereafter to drift back and the index, after starting 5.3 up, settled only 1.2 higher on balance at 990.4.

Kleinwort dip and rally

Early fears that a rights issue could accompany the preliminary figures proved to be ill-conceived and Kleinwort Benson rallied from 475p to close up 5 on balance at 495p. Among other merchant banks, Goode Durrant and Murray improved 4 more to 87p on further consideratioo of the controlling stake taken in the company by Mr Michael Waring, a South African businessman. After a firm start, the major clearing banks drifted down on lack of follow-through support to close mixed. Lloyds added 10 better at 560p, after 565p, while Barclays added 3 at 590p, after 598p. Midland, on the other hand, finished a couple of pence off at 343p, after 350p, and NatWest 2 easier at 620p, after 633p. Royal Bank of Scotland traded briskly again and put on 6 more to 276p, after 280p. In foreign issues, Hong Kong and Shanghai softened a penny to 101p, after 100p, on mild disappointment with the annual profits.

Breweries improved across the board helped by hopes that possible excise duty increases in next week's Budget will be confined to prevailing inflation rates. As usual, Bass highlighted with a gain of 13 to 530p, after 534p, while buyers also showed renewed interest in Arthur Guinness, 8 dearer at 253p. Recent speculative favourite Matthew Brown advanced to 298p before settling 5 up at 295p—a two-day advance of 27. Wines and spirits also performed well with Distillers 7 higher at 293p, after 295p. Matthew Clark spurted 30 to 510p following the 25 per cent expansion in 8-month profits.

Leading Building issues attracted early demand on hopes of lower borrowing rates, but most drifted back in the absence of follow-through support to close well below the best. Tarmac touched 512p before easing back to settle only 4 dearer on the day at 506p, while Blue Circle, up to 522p initially came back sharply to finish a couple of pence cheaper on balance at 512p. Redland, however, retained a gain of 4 at 283p, while recently-overlooked BPB Industries moved up 10 to 250p. Contracting and Construction issues traded quietly, but usually improved. Taylor Woodrow firmed 6 more to 367p, and AMEC hardened 3 to 247p, while George Wimpey improved 2 to 101p. Barratt Developments, however, remained a nervous market ahead of the interim results, due on March 19, and slipped back to the 1984-85 low of 69p prior to closing unchanged at 70p. On the other hand, Alfred McAlpine attracted buyers in the wake of the annual report and rose 10 to 258p, while A. Monk, in which current takeover favourite Davy Corporation holds a near 30 per cent stake, gained 8 to 116p.

Currency influences inhibited business in ICI which fluctuated narrowly prior to closing 7 cheaper at 806p. Among other Chemicals, more-than-doubled annual profits lifted Yorkshire Chemicals 9 to 87p.

Although a penny or two below the best following disappointing money supply statistics, leading Stores still made useful progress. Gussies "A" finished 16 better at 724p, after 727p, while Burton added 8 at 460p, after 462p. British Home put on 5 to 252p and Habitat moved up 6 to 332p, while Marks and Spencer edged forward a couple of pence to a 1984-85 peak of 142p. House of Fraser, reflecting the Al-Fayed Investment and Trust's success in gaining control of the company, dropped 6 to 392p, after 388p; the Office of Fair Trading's report on the Egyptian's 400p per share offer is imminent.

W. H. Smith "A" stood out among secondary issues with a speculative rise of 10 to 210p on revived takeover hopes, while Waring and Gillow advanced 7 to 145p ahead of Friday's first-half results. J. Hepworth revived with a rise of 14 to 178p and MFI jumped 13 to 236p. Combined English added 8 at 121p and similar improvements were seen in John Menzies, 227p, and NSS Newsagents, 110p. By way of contrast, Bolton Textile fell 4 to 25p, after 23p, following the interim profits setback.

Apart from an early flurry in British Telecom which settled 2 higher at 137p, after 138½p, leading Electricals showed little alteration. Elsewhere, Comcap responded smartly to good preliminary figures with a rise of 43 to 265p, while Process Systems, reflecting the half-year results, put on 6 to 90p. News of the provisional Caribbean telecommunications agreement prompted a rise of 13 to 535p in Cable and Wireless. Electronic Rentals, still benefiting from the proposed acquisition of Carousel Colourhire, hardened 3 further to 46p.

Leading Engineers were inclined easier. GKN, a firm market of late, met with nervous selling in front of today's preliminary statement and closed 7 lower at 220p. Among secondary issues, Belgrave Holdings advanced 6 to 116p on the annual profits recovery and return to the dividend list. Mitchell Somers hardened a penny to 64p on news of the proposed sale of Wolverhampton Die Casting to Cookson, while AI Industrial Products gained 4 to 50p following the announcement of the possible sale of a major part of its business. Revived suggestion of a bid from Trafalgar House directed fresh speculative attention to Davy Corporation, which put on 6 further to 111p. Baker Perkins were supported and rose 7 to 211p along with McKechnie which closed 4 higher at 147p.

The Food sector displayed several noteworthy movements. Rowntree Mackintosh attracted demand ahead of tomorrow's annual results and gained 16 to 398p, but nervous offerings in front of today's preliminary statement left United Biscuits 6 lower at 192p. Takeover favourite Ranks Hovis McDougall gave another strong performance and closed 8 higher at a 1984-85 peak of 150p. Among Retailers, recently-overlooked Tesco revived strongly and gained 10 to 237p, while Argyll rose 11 to 268p and Kwik Save firmed 4 to 182p.

BTR improve afresh

Hoteliers Epicure came under selling pressure on worries about the group's financial position and closed 5 down at 18p.

Inclined firmer initially, most leading miscellaneous industrials drifted back to close little altered on balance. BTR were the exception and advanced to 705p before settling 11 up on the day at 702p. Boots, in contrast, closed 3 cheaper at 171p, after 178p. Elsewhere, Low and Bonar moved up 26 more to 363p in response to comment on the preliminary figures, while Ingall Industries, currently in receipt of an 80p per share offer from the Greater Midland Co-operative Society, gained 8 further to 93p. Satisfactory preliminary statements left Hawtal Whiting 20 higher at 360p and Penlee 3½ to the good at 46p. Christies International, the subject of bid suggestions recently, encountered profit-taking and ran back 8 to 635p, while AAH eased 6 to 126p following news of the proposed acquisition of Vestric, which is to be financed by a placing of 13,545,242 AAH shares; vendors Glaxo eased ½ to £11¼. Appledore gained 10 further to 114p on the joint negotiations with Bellway to acquire Falmouth Ship Repair. Renewed demand lifted TSL Thermal Syndicate 25 further to 240p, while Courtney Pope were noteworthy for a fresh gain of 15 to 290p. Other bright spots included Halma, 7 to the good at 230p, and Morgan Crucible, a like amount dearer at 205p.

Travel issues continued to feature Saga Holidays which gained 6 more to 190p on vague rumours of a bid from Intasun, a couple of pence dearer at 110p. Elsewhere in the Leisure sector, furniture hire group Medminster attracted further demand and rose 10 afresh to 195p in a restricted market.

A liquidation of speculative positions in the wake of the directors' recent statement pouring cold water on recent market rumours of closer links with Chrysler left Group Lotus 11 lower at 103p. Elsewhere in Motors, Abbey Panels put on 7 at 102p and Flight Refuelling added 5 at 325p.

Newspapers were featured by a rise of 15 to 720p in William Collins and 17 to 542p in the "A" following the annual results. Among Paper/Printings, Carlton Communications jumped 30 to 650p.

Properties attracted a reasonable two-way business and closed fractionally firmer for choice. Land Securities hardened a penny to 303p and British Land gained a like amount to 142p. On the other hand, current bid favourite Stock Conversion encountered profit-taking and slipped 5 to 468p. Estate agents Bairstow Eves closed a penny dearer at 81p, after 82p, following the good annual results.

Robert H. Lowe, 4 dearer at 24p, provided an isolated firm feature in Textiles.

Lonrho gained 3 more for a two-day advance of 10 at 169p on further consideration of the sale of its House of Fraser stake.

Shell firm

The Oil majors were featured by Shell which advanced strongly on buying in anticipation of tomorrow's annual results to close 17 higher at the day's best of 785p. Ultramar were a steady market in front of today's preliminary statement and were unchanged at 208p, after 2[illegible]. British Petroleum hardened a couple of pence to 535p, as did bid favourite Tricentrol, to 220p. Royal Dutch gained ½ to £50¾ on currency considerations. Elsewhere, buyers again showed keen interest in Falcon Resources, up 22 more at 450p, while Invent Energy moved up ½ to £10½. ERIC firmed 5 more to 250p, after 255p and Ireland's Osceola Hydrocarbons advanced 15 to 230p.

De Beers drift

The marked absence of enthusiasm in international trading centres led to another lack-lustre session in mining markets. Once again South African Golds and related issues fluctuated with the dollar's fortunes in foreign exchange markets. Bullion failed to ease the monotony and eased throughout the session to finish $2.75 lower at $288 an ounce.

Gold share prices, firmer at the outset as the relative strength of the Rand against the U.S. currency stimulated Cape demand, later gave ground but still managed to display some noteworthy gains in sterling terms.

Heavyweight Golds featured Randfontein, 3½ up at £82¾, while improvements of over a full point were seen in Vaal Reefs, £80¼, and Buffels, £32¼. Smaller-priced counters also responded with Elandsrand 35 higher at 636p. The FT Gold Mines index rose 6.3 to 481.7.

The preliminary figures of De Beers were regarded as satisfactory but uninspiring and the shares, up to 424p earlier, drifted back to settle a net 2 cheaper at 414p. London domiciled Financials traded in subdued fashion. Consolidated Gold Fields met early demand and touched 487p before easing to close 3 off on balance at 480p.

A lively session in Traded Options resulted in 11,100 contracts transacted—6,138 calls and 4,962 puts. Once again, a large proportion of the day's activity was centred on British Telecom which attracted 2,106 calls, 893 in the May 130's, and 2,314 puts, the August 130's accounting for 1,263 trades; the third quarter figures are due Thursday week. The FT-SE 100 recorded 565 calls and 752 puts.

FINANCIAL TIMES STOCK INDICES

	Mar. 12	Mar. 11	Mar. 8	Mar. 7	Mar. 6	Mar. 5	year ago
Government Secs.	80.41	80.65	80.50	80.09	80.02	80.15	83.50
Fixed Interest	83.80	83.65	83.60	83.59	83.42	83.33	87.46
Ordinary	990.4	†989.2	988.1	987.0	980.4	982.0	865.0
Gold Mines	481.7	475.5	474.9	481.0	467.8	476.2	593.4
Ord. Div. Yield	4.55	4.55	4.03	4.00	4.45	4.49	4.20
Earnings, Yld.% (full)	11.31	11.30	11.26	11.10	11.00	11.27	2.13
P/E Ratio (net) (*)	10.75	10.75	10.80	10.81	11.10	10.88	10.24
Total bargains (Est.)	27,859	26,254	26,546	20,020	24,588	20,006	22,490
Equity turnover £m.	—	594.74	020.31	474.81	433.05	380.54	202.87
Equity bargains	—	23,657	27,470	24,028	21,271	21,975	00,143
Shares traded (ml)	—	291.2	269.9	247.9	123.1	181.3	130.0

10 am 994.0. 11 am 993.6. Noon 991.7. 1 pm 991.3.
2 pm 991.1. 3 pm 989.9.

Basis 100 Govt. Secs. 10/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.
*Nil=10.40.
† Corrected.

HIGHS AND LOWS / S.E. ACTIVITY

—	1984/85 High	1984/85 Low	Since Compilat'n High	Since Compilat'n Low		Mar. 11	Mar. 8
Govt. Secs.	85.77 (9/1/84)	74.72 (30/7/84)	127.4 (9/1/35)	42.18 (3/1/75)	Daily Gilt Edged Bargains	166.6	139.8
					Equities Bargains	166.2	178.0
Fixed Int.	87.48 (14/3/84)	80.40 (30/7/84)	150.4 (28/11/47)	50.53 (3/1/75)	Value	1202.3	1063.6
					5-day Average Gilt Edged		
Ordinary	1024.5 (22/1/85)	703.5 (23/7/84)	1024.3 (22/1/85)	49.4 (26/6/40)	Bargains	144.4	143.1
					Equities		
Gold Mines	711.7 (9/3/84)	439.6 (25/1/85)	734.7 (15/2/83)	43.5 (26/10/71)	Bargains	156.2	154.6
					Value	976.1	812.2

NEW HIGHS AND LOWS FOR 1984/5

NEW HIGHS (124)

BRITISH FUNDS (3)
FOREIGN BONDS (1)
AMERICANS (1)
CANADIANS (1)
BANKS (5)
BREWERS (4)
CHEMICALS (2)
STORES (4)
ELECTRICALS (7)
ENGINEERING (9)
FOODS (3)
INDUSTRIALS (24)
INSURANCE (5)
LEISURE (3)
MOTORS (3)
NEWSPAPERS (5)
PAPER (3)
PROPERTY (9)
SHIPPING (1)
TEXTILES (1)
TRUSTS (24)
OILS (6)

NEW LOWS (17)

CANADIANS (1)
Barrick Res. Corn.
BUILDINGS (1)
Tay Homes
ELECTRICALS (3)
Air Call
CPU Computers
Security Centres
FOODS (1)
Slaters Food
INDUSTRIALS (1)
Unigroup
LEISURE (1)
Anglia TV A
MOTORS (1)
Quick (H. & J.)
PROPERTY (1)
Markheath Sec.
OILS (1)
Santos
MINES (6)
Egoli Cons.
Austral'n Hydrocarbs.
Cokus Pacific
Gem Expl. & Minerals
Indian Ocean (1982)
Metana Minerals

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

Stock	No. of changes	Mon. close	Day's change
BTR	25	691	+33
ICI	22	613xd	− 2
Midland Bank	20	345xd	+ 7½
Lloyds Bank	18	550xd	+22
British Telecom	17	135	+ 0
Barclays	16	585xd	+ 8½
Foster Bros	16	228	+20
Pepe New	16	101	—
BP	13	533xd	− 4
Falcon Res	14	428	+23
Mercantile Hse	14	325	+10
Cable & Wire	16	522	+ 7
Dunlop	13	66	+10
Hanson Trust	13	213	+ 1

RECENT ISSUES

RIGHTS OFFERS

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1984. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ■ Allotment letters or fully-paid. ‖‖ Introduction. ✠ Unlisted Securities Market. § Placing price. T Figures assumed. †† Official London Listing. ‡‡ Dealt in under Rule 535(3). † Comprising 100 Prf. and one Ptg. share. ‡ Comprising one 11 par cent Cnv.Uns.Ln stk. and one Warrant. ● With Warrants attached. ‡‡ Units comprising one New Ord., four New Pref. and one Warrant. ✠ Figures or report awaited.

OPTIONS

First Deal-ings	Last Deal-ings	Last Declara-tion	For Settle-ment
Mar 4	Mar 15	June 13	June 24
Mar 18	Mar 29	June 27	July 8
Apr 1	Apr 19	July 11	July 22

For rate indications see end of Share Information Service

Money was given for the call of Eglinton Oil and Gas, Samson, Debenhams, Bristol Oil and Minerals, Hawtin, Solicitors Law Stationery Society, Combined Technologies, C. H. Bailey, Automotive Products, Atlantic Resources, Steinberg, Falcon Resources, Sound Diffusion, Polly Peck, Oliver Prospecting, Osceola, British Car Auction, Inter-City, BBA and Habit Precision Engineering. A put was done in Waring and Gillow. No doubles were reported.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	4	86	15
Corpns. Dom. and Foreign Bonds	22	7	50
Industrials	343	180	920
Fin. and Props.	119	72	356
Oils	32	17	74
Plantations	2	3	10
Mines	47	35	95
Others	45	94	78
Totals	614	491	1,598

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Habitat Mothercare	332	+ 6
Hepworth (J.)	178	+14
HK & Shanghai Bank	101	− 1
HK Land	55½	− 2
Jardine Matheson	106	− 3
Marks and Spencer	142	+ 2
Pentos	46	+ 3½
Reed International	668	+ 6
Royal Bank of Scot.	276	+ 6
Sedgwick	380	− 3
Smith (W.H.) A	210	+10
Willis Faber	660	− 3

LONDON TRADED OPTIONS

Option		Calls Apr.	Calls Jly.	Calls Oct.	Puts Apr.	Puts Jly.	Puts Oct.
B.P. (*530)	460	82	97	107	9	0	18
	500	48	52	75	6	13	23
	550	60	35	50	00	40	48
	600	7	60	59	69	73	65
Cons. Gold (*489)	460	35	47	60	0	14	29
	500	10	26	03	30	38	47
	550	5	15	18	75	80	87

EUROPEAN OPTIONS EXCHANGE

TOTAL VOLUME IN CONTRACTS: 55,871

A=Ask B=Bid C=Call P=Put

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

FIXED INTEREST

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1984-85 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
97¾	93	Treas 3pc 1985	97¾	+⅛	[illegible]	14.00
102⅞	99	Treas 11½pc 1985	99	–⅛	[illegible]	13.13
99¾	96	Treas 8¼pcCnv '85	98⅛	–⅛	[illegible]	12.82
104	99	Exch. 12¼pc 1985	99⅝	–⅛	[illegible]	12.32
105	99	Exch. 11¼pc '86	99⅝	–⅛	[illegible]	12.15
102	96	Treas. 10pcCnv 1986	97	–¼	[illegible]	12.40
94	88¾	Treas 3pc 1986	94	–⅛	3.19	8.42
102	96¾	Exch. 10½pc Cv '86	98	–⅛	[illegible]	12.33
104	99	Treas 12pc 1986	99	–¼	[illegible]	12.21
98¼	93½	Treas 8¾pc 1984-86‡‡	96½	.....	[illegible]	11.72
108	102	Exch. 14pc 1986	102	–⅛	[illegible]	12.00
89¾	85	Exch. 2½pc 1986	89¾	–¼	[illegible]	11.83
107	100	Exch. 13¾pc 1987	102¼	–¼	12.[illegible]	11.68
100⅞	94½	Treas 10¼pcCv '87	97	–¼	[illegible]	11.76
87¼	83½	Exch 2½pc 1987	87	–⅛	[illegible]	9.63
101	94½	Exch. 10½pc 1987	97	–¼	10.[illegible]	11.82
92¾	87	Funding 6½pc '85-87‡‡	91½	–¼	7.1[illegible]	11.28
99⅝	92⅞	Treas. 10pc 1987	96	–⅛	[illegible]	11.89
86¼	82	Treas 3pc 1987	86½	–⅛	3.47	9.58
105	97¼	Treas. 12pc 1987	100	–⅛	11.98	11.88
94⅞	87	Treas 7¾pc 1985-88‡‡	92⅜	.....	8.41	11.00

Five to Fifteen Years

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Cont.

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BEERS, WINES—Cont.

BUILDING, TIMBER, ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY & STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

1984-85 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
104	65	Marley	82xd		3.75	a2.2	6.5	9.2
56	40	Marling Ind. 10p	86	+2	td3.0	5.6	2.2	10.1
46	29	Marshall L'sy. 'A'	43	+1	t1.2	3.6	4.8	(7.7)
77	37	Marshall's Universal	72	−1	2.0	♦	4.1	♦
89	77	Do. 7½pcCnRedPf £1	82		7½%	—	13.1	—
30	20	Martin-Black	22½		—	—	—	—
£108	£81	Mathesons 7¾%	£94		07¾%	2.3	48.4	—
452	287	Metal Box £1	427	+7	t15.0	3.2	5.0	6.9
220	129	Metal Closures	167		6.3	2.3	5.4	(9.3)
27	9	Metal Sciences 2½p	14		—	—	—	—
133	73	Midland Marts	80		4.0	1.8	1.1	10.1
84½	45	Mitchell Cotts	85½	−½	4.0	1.5	6.8	11.9
205	132	Morgan Crucible	205	+7	t7.5	1.2	5.2	(20.7)
*36	22	Morris (W) F.A. 20p	27½		bg0.5	4.0	2.6	26.1
110	80	Moss (Robt.) 10p	108		t12.5	2.3	3.6	14.5
330	197	NMW Computers	270	−3	6.0	1.0	3.2	15.1
65	35	Nash Inds.	35		2.5	1.5	10.2	8.1
48	30	Neil & Spencer 10p	41		♦	—	—	12.3
33	13	Newman Industries	25		—	—	—	(34.1)
31	16½	Do. 10pc Cnv.Cm.Pf	26½		10%	—	5.4	—
67	39	Nolton	53		q1.1	4.5	3.0	8.9
183	132	Norcros	164	+2	t7.5	2.4	6.5	0.7
86	53	Nu-Swift 5p	55		t2.4	3.2	6.2	7.2
100	50	Oakwood Grp.	93		d4.5	1.4	6.9	(13.7)
190	135	Office & Elect.	156	+6	1.5	4.2	6.9	1.2
108	92	Oldacre 20p	92	−1	s4.0	2.6	6.2	8.2
875	625	Oriflame Intl SA	850		46.81	♦	8.1	♦
46	15	Ovenstone 12½c	16		‡04.5c	2.2	‡	3.7
£173	£120	Ozalid 9pc Cnv 87-92	£173		Q9%	—	15.5	—
190	105	PCT Grp 10p	105		84.8	2.9	6.4	6.4
£14	975	PLM 'B' Sk 25	£13½		Q21.6%	♦	4.1	♦
193	149	P3M Intl.	179		bg5.25	2.6	4.2	13.1
62	40	Pacific Sales 10p	52		b2.4	2.2	6.6	(7.9)
207	148	Parker Knoll 'A'	182	+2	9.0	2.8	7.2	1.8
375	197	Pauls	365		F13.0	2.3	5.1	16.0
693	403	Pearson	665	+10	t14.0	3.0	3.0	13.2
35	10	Peek Holdings	39	−1	—	—	—	—
107	88	Peerless	88		6.3	1.6	10.2	9.0

LEISURE—Continued

1984-85 High	Low	Stock	Price	+ or −
288	182	LWT	242	
15	42	Leisuretime Int 10p	62	
160	98	Mngmt. Ag. M. 10p	150	−2
184	118	Media Tech Int 20p	157	
195	76	Medminster 10p	195xd	+10
240	138	Miss World 10p	230	−5
26	15	Nationwide Leis.	25xd	−½
46	9	Ninsio Int 20c	27	
31½	14½	Owners Abroad	21	
66	33	Photax (Lon.)	42	
29½	20	P'dilly Radio NV 5p	22	
130	55	Pineapple Dnc Sz 10p	35	
430	285	Pleasurama 5p	420	
*65	15	Pres Entertain 50p	84½	+½
158	30	Radio City 'A' NV	32	
70	45	Radio Clyde N/V	45	
148	30	Riley Leisure 10p	47	
190	94	Saga Hols. 20p	190xd	+6
£10½	111	Samuelson Grp £1	890	−10
37	18	Sangers Photo 10p	37	+1
175	138	Scarro 50p	173	
190	98	Scott. TV 'A' 10p	154	
508	186	SeaCo Inc $0.125	461	−24
35	9	SelecTV 10p	15	
145	123	Spectrum 5p	113	
37	24	TSW 5p	29½	
157	79	TVS N/Vtg 10p	135	
222	102½	Television Svcs 50p	217	+5
90	60	Tottenham Hotspur	69	
260	120	Trid'nt TV 'A' 10p	245	
173	100	21st Century Dist	150	
197	135	Tyne Tees TV 'A' £1	155	
101	53½	Ulster TV N/V 'A'	85	−1
28	17	Webb (Jos.) 5p	23	+½
26½	20½	Williams (Rex) 5p	23½	
110	88	Zetters 5p	108	

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

INSURANCES

LEISURE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

MINES—Continued

Finance

Australians

Tins

Miscellaneous

NOTES

REGIONAL & IRISH STOCKS

OPTIONS — 3-month call rates

"Recent Issues" and "Rights" Page 35

AUTHORISED UNIT TRUSTS

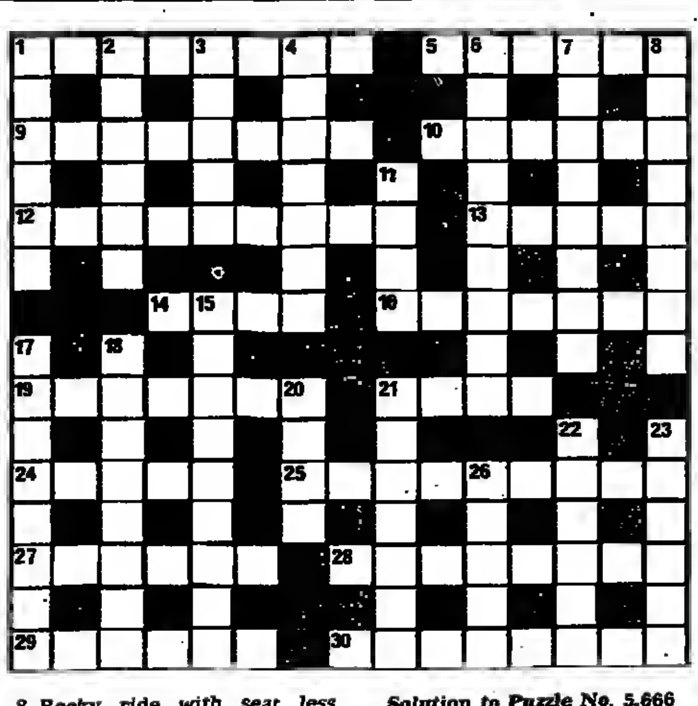
FT UNIT TRUST INFORMATION SERVICE

[illegible]

INSURANCES

[illegible]

F.T. CROSSWORD PUZZLE No. 5,667



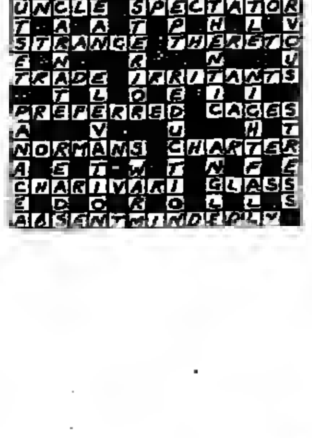
ACROSS

1 Could describe 12, 25 or 29 (8)
5 Beat teachers to the feast (6)
9 No tax charge? That'll be substitution of obligation (8)
10 Washer living on others? (8)
12 and 21 across. Long-legged snake-eater seen with pens? (9, 4)
13 and 29 Torture. (When 24's in, it's just more than a pass) (5, 8)
14 Glaswegian revising cost? (4)
16 Aim to get puzzle done again (7)
19 Do phi, xi, perhaps, look like a sword? (7)
21 Sea 12.
24 See 13 and 29 (5)
25 He takes part in balancing act (9)
27 Art 1 displayed about tea-time, making trifles (6)
28 Seen in one's imagination? (8)
29 and 30 Where various 24s are awarded (6, 8)

DOWN

1 Two places to live in (just) (8)
2 Hasn't taken vows, without bad habits (6)
3 Eager, old, almost in preference (5)
4 Port diplomacy that's read to the unruly? (4, 3)
6 English pater with sip — bubbly, aperitif? (9)
7 Blame din with confusion on part of bill (8)
8 Rocky ride with seat less rocky (8)
11 I could make a bit of yellow red (4)
15 Exchange of ideas rife? (9)
17 Carried out killing (8)
18 Society on its knees with bullets going everywhere? (8)
20 Describes processing or bank (4)
21 Honey's hair-style? (7)
22 Reagan—in top form quickly (6)
23 Week-end servant? (8)
26 Set the pudding, so they say (5)

Solution to Puzzle No. 5,666



INSURANCE, OVERSEAS & MONEY FUNDS

Liberty Life Assurance Co Ltd
Station Rd, New Barnet.
Fund Managers, Touche Remnant & Co. 01-440 8210

Gel Sec A	27.3	28.8		—
Blue Chip	22.6	23.8		—
Fixed Yield	19.7	26.8		—
Overseas Fund	16.0	16.9		—
Managed	21.4	22.6		—
International	29.6	31.2		—
Property	17.3	18.3		—
Pacific	23.2	24.5		—
Equity	16.6	17.5		—
Special Sits	25.7	27.1		—
Int Currency	14.3	15.1		—
Index Linked Secs	11.4	12.0		—
American	24.5	25.8		—

Life Assur. Co. of Pennsylvania
8, New Rd, Chatham, Kent. Medway 812348

LACOP Units	14.83	15.57		—

Lloyds Life Assurance
20, Clifton St, EC2A 4HX. 01-920 0202/0733 262524

Multi Gwth Mar 6		£315.369		—
Multi Gwth "A" Mar 6	282.9	297.8		—
Op O Prop Mar 7	264.9	278.9		—
Op O Equity March 12	383.7	403.9	+2.5	—
Op Ny Mar 7	266.2	280.3		—
Op O Man Mar 7	352.3	370.9		—
Op H Dep Mar 11	203.0	213.7		—
Op B Bond Mar 7	190.0	200.2		13.87
Op B Inc Dex Mar 7	146.1	153.8		8.29
Op B Int Man Mar 7	220.5	232.2		—
Op B US$ Mar 7	160.6	169.5		12.12
Pens B Pr Ac Feb 28	349.1	367.5		—
Pens B Eq Ac Feb 28	1081.7	1138.7		—
Pens O FI Ac Feb 28	393.1	413.8		—
Pens B Md Act Feb 28	626.4	659.4		—
Pens B Dp Acc Feb 28	325.7	342.9		—
PensBGart Globe Feb 28	117.2	123.4		—
Pens B Gart NA Feb 28	109.1	114.9		—
PensBGartP Feb 28	125.2	131.8		—

For Pensions Capital Units please ring ext 2396 or 2361.

Britannia Funds—Series A

Am Smlr Co's	142.5		-4.5	—
Am Spec Sits	161.8	170.4	-4.1	—
Commodity	84.8	89.3	-0.4	—
Extra Inc	116.7		+0.4	—
Far East	118.9		-2.6	—
Fi Secs	158.5		+1.9	—
Gold & Gen	76.7		+0.7	—
Inc Growth	161.8	170.4	+0.8	—

National Provident Institution
48, Gracechurch St, EC3P 3HH. 01-623 4200

Managed	204.3	215.1	+1.0	—
UK Equity	237.8	250.4	+2.5	—
Overseas Eq.	212.4	223.6	-0.3	—
Americas	214.0	226.2	-0.2	—
Far East	189.8	193.9	-1.0	—
Property	112.9	118.9		—
Fixed Int	161.9	170.5	+0.4	—
Indexed Gilt	110.3	116.1	+0.6	—
Deposit	115.1	121.2		—

Pension Fund Prices

Man. Initial	204.7	215.5	+1.1	—
Man Acc.	229.0	241.1	+1.3	—
UK Eq. Initial	219.9	231.5	+2.8	—
UK Eq.	242.6	255.4	+3.2	—
Overseas Eq. Initial	232.	244.8	-0.7	—
Overseas Eq.	269.1	283.3	-0.8	—
Americas Initial	247.5	260.6	-0.8	—
Americas	274.3	288.8	-0.9	—
Far East Initial	236.1	248.6	-1.7	—
Far East	262.3	276.2	-1.9	—
Prop. Initial	108.5	114.3		—
Prop.	120.2	126.6		—
Fixed Int. Initial	145.8	153.5	+0.7	—
Fixed Int.	160.9	169.4	+0.7	—
Indexed Gilt Initial	103.5	109.0	+0.6	—
Indexed Gilt	114.8	120.9	+0.7	—
Deposit Initial	114.00	120.1	+0.1	—
Deposit	126.9	133.6	+0.1	—

NPI Pensions Management Ltd.

Managed Fund	540.4	574.8		—

Prices March 1. Next dealing April 1

New Zealand Insurance PLC
110/114, Baxter Avenue, Southend. (0702) 344555

Kiwi Key (Managed)	377.3	389.0		—
UK Equity	171.4	180.4	+1.1	—
American	280.3	295.1	-4.0	—
Pacific	399.6	420.6	-5.5	—
Property	148.7	161.7		—
Gilt	176.3	185.5	-0.4	—
High Inc. Equity	163.2	171.8	+0.8	—
High Inc. Fxd. Int.	104.5	110.0	+0.2	—
Deposit	151.0	159.0		—
Index-Linked Gilt	105.7	111.3		—

Norwich Union Insurance Group
PO Box 4, Norwich NR1 3NG. 0603 622200

NUIC (Managed Funds) Ltd.

Managed Fund	530.3	558.2	+1.6	—

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

NOTES

[illegible]

COMMODITIES AND AGRICULTURE

Talks start on tungsten producers' association

By Boonsong K'Thana in Bangkok

OFFICIALS of the nine tuogsten producing countriee yesterday started two-day talks in Bangkok oimed at establishing an association of tungsten producing and exporting countries in an attempt to bolster their bargaining power

A working party of tungsten exporting countries is also considering actions to revive the eluggish tungsten market.

Countries taking part are Australia, Brazil, China, Peru, Portugal, France, Zaire and Tbailand. For the first time China, the world's largest tungsten producer, is a participant. Previously it bas only attended as an observer.

Thailand yesterday offered a base for a permenent secretariat of the association. It also presented details of the form, staffing needs, cost, location and financing of the oecretariat.

WEEKLY METALS

Prices as supplied by Metal Bulletin:

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in worebouse, 2,650-2,775.

BISMUTH: European free market, min 99.99 per cent, $ per lb, tonne lots in warebouse, 5.90-6.10.

CADMIUM: European free markot, min. 99.95 per cent, $ por lb, in warehouse. Ingots, 0.83-0.88, sticks, 0.88-0.93.

COBALT: European free market, 99.5 per cent, $ per lb, in werehouse, 11.40-11.50.

MERCURY: European free market, min. 99.99 per cent, $ per floek, in werebouse, 292-301.

MOLYBDENUM: European free markot, drummed molybdic oxide, $ per lb Mo, in warebouse, 4.40-4.65.

SELENIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 7.20-7.75.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit WO_3, cif, 74-78.

VANADIUM: European Free market, min. 98 per cent V_2O_5, other sources, $ per lb V_2O_5, cif, 2.38-2.42.

URANIUM: Nuexco exchange value, $ per lb U_3O_8, 15.00.

Malaysia spurns call to boost rubber output

BY WONG SULONG IN KUALA LUMPUR

NATURAL RUBBER, the mainstay of Malaysia's economy for nearly a century, is, falling out of favour.

The country is still by far the world's biggest exporter of rubber, with well over 35 per cent of world rubber sales. Exports last year were 1.6m tonnes, worth 3.60bn ringgit ($1.47bn). But the volume has hardly risen in recent years.

The World Bank believes there will be a shortage of natural rubber in the late 1980s, and it is encouraging tropical countries to plant more trees.

Recently, it granted a $131m loan to Indonesia to expand its rubber plantations.

Indonesia, which produces nearly 900,000 tonneo a year, wants to regain its former position as the leading rubber exporter, and this fits well with its policy of reducing dependence on oil and gos.

Malaysia, however, in the midst of a radical rethink of its commodity policy, bas turned down World Bank loan offers for rubber planting.

It feels that as poor countries develop, it is time for Malayise to drop rubber and go for better paying commodities—currently oil palm and cocoa offer the best prospects.

"Land and labour are both gotting scarce and exponsive. To compete in world markots, we must remain cost-efficient and go for crops whicb have e big odvantage," says Datuk Paul Leong, the Maloysian Minister of Primary Industries.

The present rubber price of 190 Malaysian cents a kilo may be reasonably attractive for low-cost producers elsewbere in south-east Asia and in Africa, he eays, but it gives few Malaysian plantations reasonable returns.

Recently, the Malaysian cabinet adopted, with sligbt modifications, e task force report on a national rubber strategy to the year 2000.

This recommended thet Malaysia should increase rubber production by 20 per cent by 1990 and by 40 per cent by 2000 from greater productivity, bnt not from greater acreage.

The government ebould continue to encourage the switcb away from rubbor for land which is suitable for more profitable crops.

"I give another 10 years before Malayslan plantations will bave ewitched completely from rubber to oil polm and cocoa, except on land where only rubber can be grown," says a British planting adviser with a major plantation group.

He feels that rubber will etill be an important crop among the smallholders (those with less than 100 acres) and some government land agencies, but adds: "The plantstions have given up rubbor."

Ten years ago, the commodity mix of most Malaysian estotes was 55:45 for rubber and palm oil. Today, the mix is more like 30:65:5 for rubber, oil palm and cocoa. Over those years, palm oil has heen giving a return three times better than rubber, eod cocoa currently looks even more attractive.

So from its long-held predominance, "King Rubber" bas suffered much bumiliation in Malaysia in recent years.

In 1960, it accounted for more than 60 per cent of exports; in 1970, it was down to 33 per cent and today, its share is just below 10 per cent.

As a revenue earner, rubber bas lost much of its appeal, but this has not diminished its political and social significance. Two million people dopeod on it for a living and rubber smallbolders form a powerful lobby within Malaysia's ruling Unitod Malays National Organisation.

The new Malaysian policy on rubber is to reorientate its position from a primary producer to a manufacturer.

The task force report recommended that instead of looking at the rubber tree for latex only, Malaysia ebould consider it as a source of timber for pulp, furniture, chipboard and parquot.

A study by the research institute showed that peninsula Malaysia can recover between 1.5m and 2m cubic metres of commerical timber from rubbor trees being felled every year.

The study felt the overseas market for rubberwood furniture could be immense, but Malaysian manufacturers must compete in quality and marketing to succeed.

Malaysia is also emphasisiog rubber-based indostries, and Dr Mahathir Mobamad, the Prime Minister, has held out the prospect of Malaysia becoming the world's biggest tyre producor in the early 21st century.

The Sime Darby group is buying the tyre operations of Dunlop in Malaysia and plans a major expansion.

Another company, Genoral Corporation, recently signed a technical agreement with U.S.-based Avon Rubber Company to upgrade its tyre and rubber prodoct line.

THE SEVEN-NATION Association of Natural Rubber Prodncing Countries, ANRPC, will meet on the Thai Island resort of Phuket on Monday to discuss a prodncers' position for the coming renegotiation of the International Natural Rubber Agreement in Geneva.

***The INRA talks, from April 20 to May 10,* are expected to be tough, coming at a time when both commodity prodncers and consumers are disappointed with the effectiveness of international commodity pacts, and the high cost in financing bufferstocks.**

The ANRPC meeting will discuss proposals to raise the bufferstock price range, increase financial contributions to and the operations of the bufferstock, and increase the size of the bufferstock. Malaysia also wants the next INRA to allow prodncers to implement "supply rationalisation programmes" in the evont of a sharp fall in prices, but the U.S. has said it is not prepared to discuss this.

Nicaragua coffee harvest hit by guerrilla fighting

BY TIM COONE IN MANAGUA

NICARAGUA'S 1984-85 coffee barvest is expected to be well below its target of 1.2m quintales (1 qq=100 lb).

The effects of a labour shortage, and the guerrilla war being waged in the meln coffee-growing zones in the north of the country are liable to result in a production level closer to 800,000 qq this year, according to Dr Nicolas Bolanos, the head of the Nicaraguan private coffee growers' associetion (UCAFENIC).

A large-scale military operation was mounted during the coffee-picking season this year to protect the plantations from attack by rightist guerrillas, the "contras." Thousands of students end government and office workers were mobilised to belp in the labour-intensive cottee harvest.

The labour shortage follows the high level of mobilisation of people into the army and militias, and agrarian reform undor which many former seasonal workers are now settled on their own agricultural properties.

Mobilisetion of troops and pickers has prevented the coffee harvest from being o disaster this year, but despite good yields from the trees, overall production is well helow target.

The voluntary picking brigades were returning homo last week. In the main coffee-growing regions of Jinotega and Metagalpa, where two-thirds of the country's coffee is grown, only 60 per cent of the coffee has been picked with only two to three more weeks left before the end of the season.

Government officials are apparently anxious that foreign buyers do not get worried about possible delays in delivories.

Several West German boyers bave already expressed concern over recent delays. Coffee for the domestic market is in short supply as supplies have been diverted to meet export commitments.

According to Dr Bolanos, Nicaragua might have difficulties in meeting its International Coffee Organisation export qnota of 960,000 qq for the 1984-1985 season unless it buys in from other producers.

EEC farm ministers to study lamb prices

By Andrew Gowers in Brussels

EEC FARM Ministers yesterday set op a working group to study the operation of the Community's fragile sheepmeat regimo, after a complaint by M Michel Rocard, the French Farm Minister, about the low level of lamb prices in France.

M Rocard called on the European Commission to begin support buying of sheepmeat in France—a measure it can take if prices fall below a certain level.

But the Commission, whose farm funds are already eeverely stretched, argued that this sbould not be necessary since prices bave started to recover, and intervention buying would merely suck more lamb imports into France.

The sheepmeat regime, under which prices in France are supposed to be supported at traditionally high lovels while British farmers receive what amounts to deficiency payments, looks set to be one of the more contentious issues in this year's negotiations on EEC farm prices.

The Commission has proposed limiting variable premium payments to British farmers, a suggestion Britain is vigorously resisting. The working group of experts will report to farm ministers later this month.

● **SRI LANKA** exported 1.2m kilos of blended teas last year, up from 425,451 in 1983, local tea broker Forbes and Walker said in its weekly report. It said 1.3m kilos were imported in 1984 from 11 countries for blending with domestic teas, against 556,000 in 1983.

● **PAKISTAN** halved its imports of Bangladeshi tea to 6m kilos in the eight months to February, Bangladesh Tea Board officials said in Chittagong. They quoted Pakistani buyers as saying Bangladeshi tea prices are no longer competitive aginst those of Kenya and Sri Lanka.

● **STOCKS** of grain in UK intervention stores at the end of last week reached 3,751,759 tonnes, an increase of about 103,000 tonnes on the previous week, the Home Grown Cereals Anthority said.

Zimbabwe expects to export 1m tonnes of surplus maize

BY PATTI WALDMEIR, RECENTLY IN HARARE

ZIMBABWE expects to bave about 1m tonnes of surplus maize to export to its drought-stricken neighbours this year and as much as 100,000 tonnes could go to South Africa, according to Mr Denis Norman, Zimbabwe's Agriculture Minister.

Maize purchases by the Grains Marketing Board are expected to increase in the current crop year to just under 2m tonnes from 930,000 tonnes in 1983-84 when production was hit by the third successive year of drought.

The country's 900,000 peasant farmors, who surprised forecasters by delivering a record 380,000 tonnes of maize to the marketing board last year, are expected to raise output this year to 825,000 tonnes. This starding performance le ten times the maximum achieved by these farmers before independence in 1980.

With domestic consumption running at about 900,000 tonnes per year, and carryover maize stocks expected to total somo 450,000 tonnes at March 31 this year, Mr Norman estimates the country can afford to export nearly 1m tonnes without jeopardising its planned 300,000-tonne strategic stockpile.

He told the Financial Times in an interview that negotiations bed been opened with representatives of South Africa's maize and wheat marketing boards about possible maize exports to the republic.

The South Africans had since re-assessed their import needs: "At the moment, they say they're not interested. But the dialogue is continuing."

He played down market speculation that Zimbabwe might seek to import South African wheat for maize under some form of barter arrangement.

Mr Norman said he saw no political obstacle to exports to South Africa, pointing out that Zimbabwe already exports non-food agricultural products to its southern neighbour.

He said a number of multilateral donor agencies had been in touch with government about the possibility of purchasing maize from Zimbabwe to supply their drought relief programmes in other African countries.

Hefty rise in Australia's aluminium output in 1984

AUSTRALIA'S aluminium output rose sharply in 1984 to a record 756,700 tonnes from 475,000 in 1983, the Aluminium Development Council said, Reuter reported from Sydney. The increase reflects higher output at Tomago, New South Wales, and Boyne Island, Queensland.

The two smelters reached full production in mid-1984, raising their combined output in 1984 to about 350,000 tonnea.

Ingot exports rose sharply to a record 477,300 tonnes in 1984 from the previous peak of 215,800 in 1983.

Our Commodities Editor writes: News of the hefty rise belped explain why the International Primary Aluminium Institute's world stocks figure for January issued on Monday showed an increase instead of the expected decline.

Prodnction of aluminium has continued to increase in low-cost southern hemisphere producers, like Australia, and in third world countries in spite of the fall in prices last year. As a result production cuts in Europe, Japan and North America bave not led to the expected fall in world stocks.

Aluminium prices fluctuated widely on the London Metal Exchange yesterday. The three months quotation touched a low of £1,017 before rallying to a high of £1,048 and closing at £1,036.25 a tonne. The movements were attributed almost entirely to changes in the dollar/sterling rate.

LONDON MARKETS

COCOA prices fell hack sharply on the London futures market yesterday following reports that the current negotiations in Geneva on a new International Cocoa Agreement had run into procedural difficulties. Improved hopes of a settlement had encouraged price rises for cocoa earlier in the week but the May futures position ended £35.50 down yesterday at £2,034.50 a tonne.

Dealers said the fall was also infinenced by Ivory Coast new crop sales and bearish chart patterns.

Sugar futures were bnoyant in late afternoon reflecting a strong opening in New York and reports of Chinese bnying. Bnt profit-taking trimmed prices back from the peaks.

MAIN PRICE CHANGES

In tonnes unless otherwise stated

METALS	Mar. 12 1985	+ or —	Month ago
Aluminium	£1100	......	£1100
Free Mkt	$1125/145	+15	$1175/1185
Copper			
Cash h Grade	£1262.5	—18.5	£1287
3 mths	£1278.25	—17.25	£1316.7
Gold troy oz	$288	—3.75	$300
Lead Cash	£318.5	—7	£340.5
3 mths	£326.75	—5.75	£346.0
Nickel			
Free Mkt	251/261c	+1	220/258c
Palladium oz	$111.00	—0.25	$128.50
Platinum oz	$245.75	+1.50	$275.25
Quicksilver	$290/300	......	$295/305
Silver troy oz	508.60p	—12.40	567.75p
3 mths	520.00p	—12.80	586.00p
Tin cash	£10,145	+7.0	£10012.5
3 mths	£10,140	+1	£10002.5
Tungsten	£76.65	......	£78.27
Wolfram 22 04lb	$75/78	......	$70/74
Zinc	£818	—4	£774
3 mths	£798.25	—6.25	£775.75
Producers	$800-840	......	$800

OILS	Mar. 12 1985	+ or —	Month ago
Coconut (Phil)	$925v	—25	$765
Palm Malayan	$600y	......	$575
SEEDS			
Copra Phil	$545v	......	$500
Soyabean (U.S.)	$246 w	......	$244.25
GRAINS			
Barley Fut. May	£116.85	—0.10	£115.50
Maize	£140	......	£148.00
Wheat Fut. May	£116.60	+0.05	£116.25
No. 2 Hard Wint.	‡	—	‡
OTHERS			
Cocoa Ft. May	£2034.0	—35.5	£2185.5
Coffee Ft. May	£2429	+8	£2409.5
Cotton A Index	66.20c	—0.95	66.45c
Gas Oil April	$224.25	+0.75	$228.5
Rubber (kilo)	70p	......	60p
Sugar (raw)	$109v	—5	$110
Wooltops 64s	522pkilo	+2	525pkilo

‡ Unquoted. w April-May. x April. y May. v March-April. † per 76-lb flask. N Nominal. c Cents a pound.

COPPER

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grade	£	£	£	£
Cash	1267-8	—16	1262-5	—18.5
3 months	1282.5-3	—17½	1278-.5	—17½
Settlem't	1268	—16	—	—
Cathodes				
Cash	1266-7	—8	1246-7	—24
3 months	1275-6	—17.5	1268-70	—10.5
Settlem't	1267	—9	—	—

Amalgamated Metal Traders reported that in the morning cash higher grade traded at £1,268, 67, three months £1,279, 80, 77, 76, 77, 78, 79, 80, 81, 82, 83. Standard: Cathodes: Three months £1,276. Kerb: Higher Grade: Three months £1,282, 83. Afternoon: Higher Grade: Three months £1,283, 80, 81, 80, 79, 78.5, 78, 79, 78.5, 79. Cathodes: Three months £1,270. Kerb: Higher Grade: Three months £1,277, 78, 78.5, 78, 78. Turnover: 20,275 tonnes. U.S. Producers: 64-68 cents per pound.

TIN

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —†
High Grade	£	£	£	£
Cash	10150-75	—22.5	10155-60	+20
3 months	10160-5	+15	10155-6	+10.5
Settlem't	10170	+25	—	—
Standard				
Cash	10155-60	—4.5	10140-50	+7.5
3 months	10150-5	—12.5	10135-45	+1
Settlem't	10140	—5	—	—
Straits E.	$29.10	—	—	—

Tin — Morning: Standard: Cash £10,145, 35, 36, three months £10,135, 30. High Grade: Three months £10,165, 60. Kerb: Standard: Three months £10,190. Afternoon: High Grade: Three months £10,151. Kerb: Standard: Cash £10,160, three months £10,150, 55. Turnover: 975 tonnes.

LEAD

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	320-.70	+4.85	318-.0	—7
3 months	328-.0	—4.5	326.0-7	—5.75
Settlem't	320.75	—4.75	—	—

Lead — Morning: Cash £320.5, three months £328, 28.5. Kerb: Three months £329. Afternoon: Three months £327, 26, 27, 26.5. Kerb: Three months £326, 27, 28. Turnover: 10,450 tonnes. U.S. Spot: 17-22 cents per pound.

ZINC

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Cash	823-.8	—	817-.9	—4
3 months	800.5-1	—5.75	798-.5	—6.25
Settlem't	820	+2	—	—

Zinc — High Grade Official/Unofficial prices: Cash am £840-£841, pm £832-£837. Three months am £835-£838, pm £830-£835. Settlement £841. Morning: Three months £798, 800, 799, 800, 1. High Grade: Cash £841. Kerb: Standard: Three months £1,282, 83. Afternoon: months £800, 798.5, 85. Kerb: Standard: Three months £799, 800, 1. Turnover: 10,525 tonnes. U.S. Prime Western: 45-45.75 cents per pound.

ALUMINIUM

Alumin'm	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Spot	1005-6	—1	1001-2	—1.5
3 months	1039.5-40	—1.5	1035-.0	—2.25

Aluminium—Morning: Three months £1,040, 41, 42, 41, 38.5, 38, 37, 36, 37, 38, 39, 39.5. Kerb: Three months £1,039. Afternoon: Three months £1,033, 38, 37, 36.5, 37, 35, 36.5, 37, 36.5. Kerb: Three months £1,036, 35.5, 35, 34, 33, 32, 33. Turnover: 21,100 tonnes.

GOLD

Gold fell $2¾ an ounce from Monday's close in the London bullion market yesterday to finish at $287¾-288¼. The metal opened at 290¼-290¾ which proved to be the day's high and touched a low of $287-287½. Trading was quite active but gold was confined to a fairly narrow range, after lost ground initially on a weaker silver price.

GOLD BULLION (fine ounce) Mar. 12

Close	$287¾-288¼	(£260¼-265¾)
Opening	$290¼-290¾	(£263½-264)
M'n'g fix.	$288.75	(£264.181)
Aft'n'n fix.	$288.45	(£265.750)

GOLD AND PLATINUM COINS

Kr'g'r'nd.	$296¾-297½	(£275¼-274)
½ Krug.	$152¾-153½	(£140½-141¼)
¼ Krug.	$77¾-78½	(£71½-72¼)
1/10 Krug.	$31¼-32½	(£29¼-30)
Mapleleaf	$287-297¾	(£270½-274¼)
New Sov.	$68¾-69¼	(£65¼-63¾)
½ New Sov.	$41-41¾	(£37¾-38½)
Old Sov.	$66½-70	(£63-64½)
$20 Eagle	$405-485	(£410-446½)
Noble Plat	$253¼-265¼	(£233½-260¼)

SILVER

Silver was fixed 12.4p an ounce lower for spot delivery in the London bullion market yesterday at 508.6p. U.S. cent equivalents of the fixing levels were: spot 551.6c, down 12.65c; three-month 563.7c, down 13.35c; six-month 578.3c, down 13.9c; and 12-month 608.5c, down 15.25c. The metal opened at 508½-509½p (558-561c) and closed at 510½-513½p (554-557c).

SILVER per troy	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	508.60p	—12.4	510.5p	—5.8
3 months	526.00p	—12.8	527.75p	—5.75
6 months	538.80p	—13.5	—	—
12 months	568.05p	—14.9	—	—

LME — Turnover 128 (59) lots of 10,000 oz.

Morning: 1st ring three months 525.5, 2nd ring three months 525.5, 25.7, 25.6. Kerb: untraded. Afternoon: untraded.

NICKEL

NICKEL	a.m. Official	+ or —	p.m. Unofficial	+ or —†
	£	£	£	£
Spot	4710-0	—35	4695-700	+17.5
3 months	4760-2	—31.5	4755-60	+25

Nickel—Morning: Cash £4,710, three months £4,770, 65, 62. Kerb: Three months £4,765, 70. Afternoon: Three months £4,750, 60. Kerb: Three months £4,760. Turnover: 1,422 tonnes.

COCOA

After moving in line with currency fluctuations the market fell sharply on late trade selling, profit-taking and stop-loss selling reflecting Ivory Coast sales and lack of progress at the cocoa pact talks in Geneva.

COCOA	Yesterday's Close	+ or —	Business Done
	£ per tonne		
March	2110-2120	—62.5	2160-2119
May	2034-2035	—35.5	2133-2031
July	2066-2068	—37.0	2125-2066
Sept.	2047-2052	—38.0	2105-2046
Dec.	1961-1962	—47.0	2014-1960
Mar.	1925-1950	—41.0	2001-1959
May	1058-1060	—40.0	—

Sales: 5,595 (4,230) lots of 10 tonnes.

ICCO indicator prices (U.S. cents per pound). Daily price for March 11: 99.76 (96.16); five-day average for March 12: 96.75 (96.72).

COFFEE

The continued rise in sterling produced opening losses of £12.20, reports Omxel Burnham Lambert. Prices recovered in light volume on trade and dealer support. Profit-taking prompted a minor retracement.

COFFEE	Yesterd'ys Close	+ or —	Business Done
March	2579-80	+10.5	2386-60
May	2429-30	+8.0	2436-00
July	2466-68	+5.0	2470-60
Sept.	2466-95	+5.0	2008-82
Nov.	2490-95	+0.8	2506-81
Jan	2456-58	—0.5	2466-45
March	2402-25	—2.0	2450

Sales: 8,342 (2,386) lots of 5 tonnes.

ICO indicator prices (U.S. cents per pound) for March 11: Comp daily 1979 132.51 (132.01); 15-day average 130.93 (130.95).

COTTON

LIVERPOOL—Spot and shipment sales amounted to 314 tonnes. Buying centred mainly on spring shipment offers of Turkish, Colombian, East African and American descriptions.

INDICES

FINANCIAL TIMES

Mar. 11	Mar. 8	M'th ago	Year ago
299.61	299.26	296.79	300.72

(Base: July 1 1952 = 100)

REUTERS

Mar. 12	Mar. 11	M'th ago	Year ago
1999.3	2066.7	2020.0	1988.2

(Base: September 18 1931 = 100)

MOODY'S

Mar. 8	Mar. 7	M'th ago	Year ago
N/A	N/A	—	—

(Base: December 31 1931 = 100)

DOW JONES

Dow Jones	Mar. 11	Mar. 8	Month ago	Year ago
Spot	116.50	10.75	—	—
Fut.	120.41	20.60	—	—

(Base: December 31 1974 = 100)

GRAINS

Old crop wheat rose 30p on stronger physicals but profit-taking eased values. Barley saw very little trade and values closed lower. New crops also eased after some initial shipper buying, reports Muirpace.

Mnth	WHEAT Yesterd'ys close	+ or —	BARLEY Yesterdys close	+ or —
Mar.	110.40	+0.05	110.80	+0.20
May	116.60	+0.05	116.05	—0.15
July	122.25	+0.05	—	—
Sept.	97.90	—0.35	97.50	—0.35
Nov.	101.10	—0.45	101.20	—0.25
Jan.	104.75	—0.35	104.60	—0.20

Business done—Wheat: March 115.55-5.40, May 116.90-6.40, July 122.45-2.00, Sept 98.35-7.85, Nov 101.50-1.00, Jan 105.10-5.00. Sales: 353 lots of 100 tonnes. Barley: March 113.80 only, May 117.00-6.60, Sept 97.85-7.50, Nov 101.20 only, Jan 104.80-4.60. Sales: 63 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No. 1, 15 per cent: March 161, April/May 165.20, June 166.36, July 166.45 transhipment East Coast. U.S. No. 2 Soft Red Winter: March 160, April 151.75, May 150.75, July 150. EC French: July 110.25-118 cif free out Southwest Coast. English feed, fob: Sept 98.25 sellers East Coast. Maize: U.S. No. 3 Yellow/French transhipment East Coast: March 148. Barley: English feed, fob: March 117.50 seller, Boston. Rest unquoted.

HGCA — Locational ex-farm spot prices. Feed barley: S. East 113.50, S. West 111.20, W. Midlands 112.00, N. West 110.20. The UK monetary coefficient for the week beginning Monday March 18 (based on HGCA calculations using five days' exchange rates) will remain unchanged.

PIGMEAT

Prices were unchanged with little trade or speculative interest, reports CCST Commodities.

Month	Yesterdays close	Previous close	Business done
	p. per kilo (deadweight)		
April	108.70	108.60	108.80
June	106.00	106.50	106.70-106.50
Aug.	103.20	102.00	
Oct.	108.80	109.40	108.80
Nov.	109.70	109.60	—
Feb.	100.00	100.00	—

Sales: 6 (7) lots of 50 carcases, 3,250 kg.

POTATOES

The market was initially easier, with April registering new contract lows, before it recovered on buying interest in thin volume, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business Done
	£ per tonne		
April	43.00	49.90	48.40-42.10
May	47.50	47.00	47.80-46.50
Nov.	69.90	69.80	70.00-69.50
Feb.	79.00	79.20	79.50
Apr.	91.10	90.00	91.50-90.00

Sales: 284 (515) lots of 40 tonnes.

OIL

April Brent traded thinly but gained nearly 20c. Nymex opened 13c up and gained a further 20c during morning trading. In the petroleum products market gas oil was quiet and concentrated on April 1-15 with little March buying interest. Buyers continued to be nervous as the market direction remains unclear. Cracked heavy fuel was quiet and little changed Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—April		
Arab Light	27.05-27.75	—
Arab Heavy	26.55-26.65	—
Dubai	27.10-27.15	+0.025
Brent Blend	27.55-27.65	+0.175
W.T.I. (1pm est)	27.75-27.85	+0.05
Forcados (Nigeria)	28.00-28.20*	+0.075
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	247-249	—
Gas Oil	241-243	—1.5
Heavy fuel oil	171-175	+0.5

*March

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's Close	+ or —	Business Done
	$ U.S. per tonne		
March	235.50	+0.50	237.00-36.00
April	224.90	+0.75	224.50-22.75
May	220.25	+1.00	220.25-19.50
June	218.25	+0.25	218.25-17.50
July	210.50	—0.50	218.50-17.50
Aug	220.50	+6.50	—
Sep	220.00	—	220.00

Turnover: 1,016 (1,655) lots of 100 tonnes.

RUBBER

PHYSICALS — The London market opened slightly easier, attracted little interest throughout the day, and closed quiet, reports Lewis and Peat. Closing prices (buyers): spot 70.00p (same); April 75.00p (75.75p); May 75.50p (76.25p). The Kuala Lumpur fob price for April RSS No. 1 was 191.5 (193.5) cents a kg and for SMR 20 was 190.5 (191.5).

SOYABEAN MEAL

The market opened 50p lower in quiet trading conditions and met commission house selling, reports T. G. Roddick.

	Yesterday close	+ or —	Business Done
	£ per tonne		
April	147.0-148.2	—1.25	147.9
June	138.5-155.9	—	156.7-155.7
August	139.7-140.5	—0.25	140.5-139.7
October	145.5-146.0	—0.35	—
Dec	150.8-152.0	—0.65	—
Feb	155.5-157.0	—0.75	—
April	156.5-158.8	—0.75	—

Sales: 188 (260) lots of 20 tonnes.

SUGAR

LONDON DAILY PRICE—Raw sugar $109.00 (£101.00), unchanged (unchanged) a tonne for March-April delivery. White sugar $130.00, unchanged.

The fluctuations in the currency markets led to quiet trading. Reports of fresh Chinese buying had little effect and prices stayed in a narrow range, reports C. Czarnikow.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
May	111.4-111.5	111.6-111.8	113.5-111.2
Aug.	117.2-117.4	116.6-116.8	119.2-117.0
Oct	123.0-123.2	122.8-123.0	125.0-122.9
Dec.	129.5-130.2	128.8-129.0	130.0-128.5
Mar.	143.0-143.4	142.6-143.4	145.0-142.0
May	148.2-148.4	147.8-148.2	149.0-147.0
Aug.	156.0-157.5	154.6-156.4	157.0-156.6

Sales: 1,286 (2,354) lots of 50 tonnes.

Tate and Lyle delivery price for granulated basis sugar was £209.00 (same) a tonne for export.

International Sugar Agreement—(U.S. cents per pound fob and stowed Caribbean ports). Prices for March 11: Daily price 3.78 (3.69); 15-day average

U.S. MARKETS

HEATING OIL rallied sharply in anticipation of continued tight spot supplies as the weekly industry stock report is expected to show a further drawdown in distillate products, reports Heinold Commodities. Maize was mixed on the close with commercial buying strongly supporting the nearby months. The soyabean complex and wheat were adversely affected by lower currencies and negative changes in the USDA supply-utilisation estimates. Gold and silver registered modest gains on light short-covering reflecting a firm tone in the energy complex. Copper came under pressure on the weaker tone to sterling and a general lack of fresh physical demand. Sugar held steady in the absence of fresh news. Cocoa weakened on origin selling. Coffee drifted moderately lower as roasters withdrew. Cotton traded generally mixed, with buying interest limited following the npward revision in the USDA prodnction estimate.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
March	48.50	—	—	48.70
April	48.75	—	—	49.00
May	49.20	49.00	49.15	49.45
July	50.05	50.05	50.00	50.30
Sept	50.90	—	—	51.15
Dec	52.15	—	—	52.40
Jan	52.55	—	—	52.80
March	53.40	—	—	53.65
May	54.20	—	—	54.45
July	55.00	56.50	56.50	55.25

COCOA 10 tonnes—$/tonnes

	Close	High	Low	Prev
March	2124	2140	2130	2140
May	2149	2179	2126	2174
July	2065	2115	2065	2107
Sept	2040	2080	2035	2080
Dec	2000	2049	1998	2040
March	1995	2014	2010	2032
May	1995	—	—	2035
July	2000	—	—	2040

COFFEE "C" 37,000 lb, cents/lb

	Close	High	Low	Prev
March	148.38	43.74	42.80	43.82
May	144.33	45.29	44.12	44.84
July	144.35	46.30	44.13	44.69
Sept	143.15	44.20	43.00	43.31
Dec	142.50	43.25	42.20	42.38
March	141.00	42.00	40.55	41.13
May	140.45	—	—	39.25
July	138.05	—	—	37.75

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
March	58.95	59.50	56.95	66.35
April	60.30	60.60	60.10	60.60
May	59.75	60.35	59.60	60.10
July	60.30	60.80	60.10	60.60
Sept	60.75	61.10	60.65	61.00
Dec	61.90	61.75	61.45	61.70
Jan	61.75	—	—	61.00
March	62.30	62.35	62.25	62.40
May	62.66	62.90	62.80	62.00
July	63.40	63.90	63.60	63.50

COTTON 50,000 lb—cents/lb

	Close	High	Low	Prev
May	65.03	65.05	64.29	64.42
July	64.97	65.00	64.45	64.80
Oct	64.95	64.80	64.70	64.80
Dec	65.08	65.05	64.85	65.00
March	66.05	56.10	65.80	66.10
May	65.63	66.41	65.41	66.47
July	66.83	66.62	66.50	66.60

CRUDE OIL (LIGHT) 42,000 U.S. gallons—$/barrels

	Latest	High	Low	Prev
April	27.90	28.03	27.66	27.57
May	27.35	27.43	27.09	26.97
June	26.94	27.01	26.72	26.66
July	26.78	26.83	26.60	26.46
August	26.75	26.69	26.55	26.37
Sept	26.65	—	—	26.30
Oct	26.75	—	—	26.34
Nov	26.55	26.60	26.54	26.37
Dec	26.60	—	—	26.37

GOLD 100 troy oz—$/troy oz

	Close	High	Low	Prev
March	291.2	287.0	287.0	289.1
April	292.3	292.5	287.5	290.1
May	294.4	—	—	292.2
June	296.5	297.0	291.8	294.3
August	301.1	299.0	296.8	298.9
Oct	306.0	304.0	301.8	303.8
Dec	311.4	310.9	307.5	309.2
Feb	316.8	—	—	314.8
April	322.4	—	—	320.2
June	328.3	—	—	326.1
August	334.7	331.0	331.0	332.5
Oct	347.1	—	—	338.9
Dec	347.6	343.0	343.0	345.3

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Latest	High	Low	Prev
April	74.75	75.10	74.05	73.83
May	72.30	72.70	71.60	71.44
June	71.40	71.65	70.35	70.27
July	70.90	71.20	—	70.25
August	70.95	70.95	70.95	70.46
Sept	71.70	71.70	71.70	71.05

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
March	164.40	64.00	64.20	65.25
May	167.00	67.35	66.75	68.05
Sept	167.45	67.00	67.10	66.90
Nov	168.25	66.00	65.00	66.90
Jan	164.90	65.00	66.00	65.90
March	164.90	—	—	65.90
May	164.90	—	—	65.50
July	164.90	—	—	65.90

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
March	245.4	240.0	240.0	236.5
April	246.3	246.5	241.9	242.9
July	251.3	256.0	250.0	253.3
Oct	257.3	256.0	253.0	253.6
Jan	264.1	260.0	260.0	260.9
April	269.0	—	—	—

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
March	560.5	563.0	548.0	552.5
April	562.7	—	—	554.7
May	566.5	569.0	554.0	559.5
July	575.3	577.0	563.0	567.5
Sept	585.5	588.0	573.0	577.8
Dec	601.7	603.0	589.0	594.1
Jan	607.4	596.0	595.0	599.8
March	616.1	616.0	607.0	610.6
May	629.8	627.0	621.0	622.4
July	641.8	636.0	635.0	634.8

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
May	3.96	3.95	3.85	3.87
July	4.07	4.18	4.06	4.08
Sept	4.28	4.40	4.26	4.29
Oct	4.40	4.55	4.40	4.43
Jan	4.84	5.01	5.00	4.93
March	5.34	5.48	5.32	5.36
May	5.59	5.75	5.58	5.66
July	5.84	5.85	5.82	5.86

CHICAGO

LIVE CATTLE 40,000 lb—cents/lb

	Close	High	Low	Prev
April	64.37	64.75	64.27	64.30
June	67.12	67.45	66.85	67.15
August	65.17	66.27	65.65	65.95
Oct	64.35	64.52	63.80	64.02
Dec	65.70	65.80	65.30	65.42
Feb	65.95	66.15	65.95	65.70
April	66.95	67.00	66.95	66.95

LIVE HOGS 30,000 lb—cents/lb

	Close	High	Low	Prev
April	46.96	47.36	46.75	47.02
June	52.05	52.60	51.90	52.22
July	53.45	53.96	53.30	53.72
August	52.82	53.10	52.65	52.90
Oct	48.56	48.75	48.40	48.55
Dec	48.50	49.00	48.70	48.90
Feb	48.80	48.86	48.50	48.60
April	46.10	46.25	46.10	46.00
June	47.75	47.76	47.75	47.57

MAIZE 5,000 bu min, cents/56lb-bushel

	Close	High	Low	Prev
March	268.2	270.0	266.6	268.0
May	273.0	274.2	272.0	273.0
July	274.6	276.0	274.0	275.4
Sept	267.4	268.6	266.4	268.0
Dec	261.2	262.6	260.6	262.2
March	270.2	271.4	269.2	270.4
May	276.0	276.6	275.0	276.2

PORK BELLIES 38,000 lb—cents/lb

	Close	High	Low	Prev
March	73.57	74.40	73.50	74.20
May	73.57	74.45	73.50	74.27
July	73.42	74.27	73.32	73.95
August	71.37	72.20	71.20	71.65
Feb	72.55	72.66	72.00	72.30
March	71.75	71.75	71.75	71.75
May	72.00	72.00	72.00	72.00
July	72.50	72.50	72.50	72.50

SOYABEANS 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
March	574.6	577.4	574.4	578.8
May	582.2	587.6	582.4	588.2
July	592.2	596.0	592.0	597.6
August	593.4	598.0	593.4	600.0
Sept	589.4	592.0	589.4	592.4
Nov	591.4	595.0	591.0	595.6
Jan	603.0	605.0	603.0	606.4
March	615.0	616.4	615.0	618.4
May	622.0	—	—	625.4

SOYABEAN OIL 60,000 lb, cents/lb

	Close	High	Low	Prev
March	29.82	30.10	29.65	29.89
May	28.18	28.52	28.11	28.47
July	27.25	27.50	27.17	27.40
August	26.63	26.90	26.90	26.95
Sept	26.05	26.25	26.05	26.40
Oct	25.30	25.55	25.30	25.60
Dec	24.82	24.95	24.60	24.80
Jan	24.40	24.70	24.40	24.75

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
March	127.4	128.0	127.1	128.3
May	132.5	133.0	132.1	133.4
July	136.3	136.6	137.9	138.6
August	141.0	141.4	140.6	141.7
Sept	143.2	143.2	143.0	143.5
Oct	146.8	146.5	146.3	146.0
Dec	151.0	151.0	150.0	151.5
Jan	152.3	152.7	152.0	152.3
March	157.8	157.5	157.5	157.6

WHEAT 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
March	345.2	347.4	344.0	347.0
May	336.4	339.2	335.6	338.6
July	328.2	329.0	326.0	329.2
Sept	327.0	329.4	326.4	330.0
Dec	337.0	338.4	336.4	338.0
March	342.0	—	—	345.0

SPOT PRICES — Chicago loose lard 23.50 (same) cents per pound. New York tin 505.0-25.0 (503.0-23.0) cents per pound. Hary and Herman silver bullion 557.0 (566.0) cents per troy ounce.

OTHER MARKETS

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. March 570.0, 582.0, untraded; May 622.0, 624.0, u/t; July 621.0, 622.0, u/t; Oct 601.0, 602.0, u/t; Dec 605.0, 607.0, 606.0; March 810.0, 812.0, 614.0; May 615.0, 620.0, u/t; July 620.0, 635.0, u/t. Sales: 4.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle, 94.36p per kg lw (−0.62). GB—Sheep, 195.09p per kg est dcw (+14.74). GB—Pigs, 78.83p per kg lw (−0.85).

SMITHFIELD—Pence per pound. Beef—Scotch killed side 75.0 to 81.0; English hindquarters 92.0 to 97.0, forequarters 52.0 to 56.0. Veal—Dutch Hinds and Ends 123.0 to 127.0. Lamb—English small 80.0 to 86.0, medium 78.0 to 82.0, heavy 70.0 to 78.0; Scotch heavy 70.0 to 78.0. Imported: New Zealand PL (new season) 70.0 to 71.0. PX (new season) 56.0 to 60.5. Pork—English under 100lb 46.6 to 59.5, 100-120lb 52.0 to 56.0, 120-160lb 41.0 to 48.0.

PARIS

SUGAR—(FFr per tonne): May 1360-1356, Aug 1420-1430, Oct 1475-1486, Dec 1535-1536, March 1635-1650, May 1680-1690.

COCOA—(FFr per 100 kg): March 2340-2355, May 2301-2303, July 2230 bid, Sept 2255-2267, Dec 2145-2189, March 2135 bid, May 2130 bid.

ROTTERDAM

WHEAT—(U.S. $ per tonne): U.S. two soft red winter March 158, April 159, May 158, July 145. U.S. two northern spring 14 per cent protein March 182.50, April/March 165, June 166.50, July 166.50, Aug 166.50, Sept 166.60. U.S. northern spring 15 per cent protein April/May 179, Sept 179. U.S. three hard amber durum April/May 178.50, June 178, July 178, Aug 178, Sept 178. Canadian one western amber durum April/May 189, May/June 189, June/July 189, Sept 185.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar recovers from early fall

The dollar improved nearly 10 pfennigs from the day's low against the D-mark yesterday in very volatile trading, to finish slightly up from Monday's close. It touched a high of DM 3.3730, having traded as low as DM 3.2780 in the morning and finished at DM 3.3450, up from DM 3.3385 previously.

Initial losses were probably a little overdone with the weaker trend reflecting market fears of lower U.S. interest rates and a slowdown in the rate of U.S. economic growth. However, renewed interest at the day's lows prompted a quick scrambling to cover short positions and the dollar recovered as a result. Despite the erratic nature of the day's movements, central banks decided to remain on the sidelines.

Elsewhere the dollar fell to SwFr 2.8345 from SwFr 2.8470 but improved to Y260.20 from Y259.15. It was also higher against the French franc at FFr 10.2250 compared with FFr 10.2050. On Bank of England figures, its index eased slightly to 153.7 from 153.8.

STERLING — Trading range against the dollar in 1984-85 is 1.4940 to 1.0525. February average 1.0933. Exchange rate index rose 0.2 to 71.8, having touched a high of 72.2 after an opening level of 72.1. Monday's close was 71.6 compared with 78.0 six months ago.

Sterling opened on a strong note as the dollar weakened sharply and at one point it was trading at $1.1100. However, the dollar's recovery pushed it to a low of $1.0770 with hopes of lower UK interest rates also accelerating the decline. However disappointing UK banking figures saw domestic interest rates bounce back from the day's lows and with the prospect of an early cut in clearing bank base rates taking something of a knock, sterling managed to close at $1.0890, unchanged from Monday.

Against the D-mark it rose to DM 3.6450 from DM 3.6375 and Y283.25 from Y282.25. It was lower against the Swiss franc however at SwFr 3.0950 from SwFr 3.1025 and FFr 11.1300 compared with FFr 11.1475.

D-MARK — Trading range against the dollar in 1984-85 is 3.4510 to 2.5535. February average 3.3008. Exchange rate index 118.9 against 121.8 six months ago.

The dollar closed up from Monday's closing level but down from the day's high in Frankfurt yesterday in very nervous and erratic trading. Having touched a low of DM 3.2780 in early trading, it recovered to finish at DM 3.3620 up from DM 3.35 previously. Fears of lower U.S. interest rates had accelerated the early downward trend but the lower levels attracted fresh buying. It was fixed at DM 3.3520 compared with DM 3.3620 on Monday and there was no intervention by the Bundesbank either at the fixing or in open trading. The dollar's recovery increased fears of a rise in key West German interest rates.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu March 12	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	44.9008	44.7057	−0.43	+0.19	±1.5622
Danish Krone ...	6.14104	7.95598	−2.27	−1.65	±1.6410
German D-Mark	2.24184	2.22436	−0.78	−0.16	±1.1475
French Franc ...	6.87456	6.79726	−1.12	−0.50	±1.3669
Dutch Guilder...	2.52595	2.51808	−0.31	+0.31	±1.5171
Irish Punt	0.72569	0.713693	−1.65	−1.03	±1.6703
Italian Lira	1403.49	1389.52	−1.00	−1.00	±4.0410

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

STERLING EXCHANGE RATE INDEX
(Bank of England)

	March 12	Previous
8.30 am	72.1	71.2
9.00 am	72.2	71.3
10.00 am	71.7	71.4
11.00 am	71.6	71.4
Noon	71.4	71.3
1.00 pm	71.7	71.4
2.00 pm	71.6	71.4
3.00 pm	71.7	71.4
4.00 pm	71.8	71.6

New York rates

	March 12	Prev. close
£ Spot	$1.0845-1.0855	$1.0715-1.0755
1 month	0.52-0.50pm	0.45-0.44pm
3 months	1.12-1.07pm	1.06-1.03pm
12 months	1.45-1.35pm	1.40-1.58pm

Forward premiums and discounts apply to the U.S. dollar.

POUND SPOT—FORWARD AGAINST POUND

March 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.0770-1.1100	1.0885-1.0895	0.52-0.49c pm	5.56	1.11-1.06pm	3.89
Canada	1.5008-1.5290	1.5045-1.5065	0.48-0.39c pm	3.47	0.78-0.65 pm	1.90
Nethlnd.	4.08¾-4.13½	4.12¼-4.13¼	2½-2⅜c pm	7.09	6.5⅞pm	5.75
Belgium	72.52-73.64	73.35-73.45	26-21c pm	3.84	51-42pm	2.53
Denmark	12.96½-13.06¾	13.03-13.04	2¼-1¼ore pm	1.50	4½-3½pm	1.16
Ireland	1.1641-1.1710	1.1685-1.1695	0.06ppm-0.11dis	−0.28	0.06-0.01dis	−0.77
W. Ger.	3.60¾-3.65	3.64-3.65	2½-2¼pf pm	8.44	6½-6¼pm	6.93
Portugal	198-204	200-202	130-470c dis	−17.91	480-1370dis	−18.41
Spain	200½-202¼	200½-201	15c pm-5 dis	−0.30	10-40dis	−0.50
Italy	2253-2284	2280½-2281½	par-3 lire dis	−0.79	10-14dis	−2.10
Norway	10.39¼-10.49¾	10.45-10.46	1-⅛ ore pm	0.72	1-par	6.12
France	11.02⅞-11.17¾	11.12½-11.13½	3½-3c pm	3.50	6½-5½pm	2.16
Sweden	10.34-10.42¾	10.38½-10.39½	½ ore pm-½ dis	−0.22	1¼-2¼dis	−0.87
Japan	280¾-286¼	282¾-283¾	1.88-1.78y pm	7.74	4.88-4.78pm	6.80
Austria	25.40-25.70	25.45-25.55	16¾-15gro pm	7.35	39-36pm	5.88
Switz.	3.07-3.10¾	3.09-3.10	2½-2¼c pm	6.97	5½-5¼pm	7.35

Belgian rate is for convertible francs. Financial franc 74.00-74.10. Six-month forward dollar 1.35-1.30c pm. 12-month 1.40-1.25c pm.

DOLLAR SPOT—FORWARD AGAINST DOLLAR

March 12	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.0770-1.1100	1.0885-1.0895	0.52-0.49c pm	5.56	1.11-1.06pm	3.98
Ireland†	0.9235-0.9470	0.9310-0.9330	0.50-0.40c pm	5.92	1.30-1.00pm	4.96
Canada	1.3800-1.3960	1.3885-1.3910	0.23-0.25c dis	−2.11	0.71-0.76dis	−2.11
Nethlnd.	3.7090-3.8170	3.7905-3.7915	0.48-0.43c pm	1.44	1.70-1.67pm	1.78
Belgium	66.00-67.78	67.35-67.45	9½-10½c dis	−1.78	25-27dis	−1.55
Denmark	11.72-12.05	11.95½-11.95¾	3-3½ore dis	−3.26	4½-5½dis	−1.67
W. Ger.	3.2780-3.3730	3.3445-3.3455	0.78-0.73pf pm	2.70	2.45-2.40pm	2.90
Portugal	183-186	184-186	200-500c dis	−22.83	600-1400dis	−21.74
Spain	182.60-185.95	184.30-184.50	70-80c dis	−4.88	165-190dis	−3.83
Italy	2050-2106	2095-2096	9½-10 lire dis	−5.59	28-29½dis	−6.42
Norway	9.46¾-9.65	9.61½-9.61¾	3-3½ ore dis	−4.80	7¾-8¼dis	−3.33
France	10.03½-10.30	10.22¼-10.22¾	1.83-1.93c dis	−2.20	4.75-5.00dis	−1.81
Sweden	9.40-9.59½	9.54-9.54½	3½-4 ore dis	−4.70	9½-10¼dis	−4.18
Japan	258.10-262.10	260.15-260.25	0.50-0.46y pm	2.08	1.80-1.75pm	2.73
Austria	23.04-23.84	23.50-23.60	4½-4gro pm	2.17	14½-12½pm	2.29
Switz.	2.7850-2.8720	2.8340-2.8350	0.82-0.78c pm	3.32	2.41-2.36pm	3.34

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 67.95-68.05.

OTHER CURRENCIES

Mar. 12	£	$		£ Note Rates
Argentina Peso..	314.75-315.32	290.32-290.31	Austria	25.48-25.75
Australia Dollar.	1.5610-1.5660	1.4390-1.4420	Belgium	73.20-74.00
Brazil Cruzeiro...	4,410-4,433	4,068-4,088	Denmark	12.95-13.07
Finland Markka.	7.5426-7.5695	6.9800-6.9850	France	11.01-11.13
Greek Drachma.	153.20-156.24	138.90-141.70	Germany	3.62½-3.66½
HongKong Dollar	8.4910-8.5055	7.8010-7.8030	Italy	2250-2290
Iran Rial	102.00*	22.40	Japan	281-284
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* Selling rate.

CURRENCY MOVEMENTS

Mar. 12	Bank of England Index	Morgan Guaranty Change %
Sterling	71.2	−18.0
U.S. dollar	153.7	+38.4
Canadian dollar	88.8	−6.8
Austrian schilling	108.0	+2.7
Belgian franc	87.8	−10.2
Danish Kroner	75.8	−6.0
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England index (base average 1975=100).

CURRENCY RATES

Mar. 12	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.884876	0.611831
U.S. $	8	0.966903	0.962607
Canadian $	11.27	*	0.820594
Austria Sch	4½	22.6672	15.5841
Belgian Fr	11	64.3862	44.7057
Danish Kr	7	11.4217	7.95596
Dmark	4½	3.31282	2.02436
Guilder	6½	3.68940	2.51809
[illegible]	[illegible]	[illegible]	[illegible]

* CS/SDR rate for March 11: 1.32857.

EXCHANGE CROSS RATES

Mar. 12	Pound Sterling	U.S. Dollar	Deutschem'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
[illegible]										

EURO-CURRENCY INTEREST RATES (Market closing rates)

Mar. 12	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
[illegible]												

Asian $ (closing rates in Singapore): Short-term 8¼-8⅜ per cent; seven days 8⅞-8⅞ per cent; one month 8¹³⁄₁₆-8¹⁵⁄₁₆ per cent; three months 9⅛-9¼ per cent; six months 9¼-9⅞ per cent; one year 10⅞-10⅝ per cent. Long-term Eurodollars: two years 11⅛-11⅝ per cent; three years 11⅞-12⅛ per cent; four years 12⅛-12⅜ per cent; five years 12¼-12½ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

FINANCIAL FUTURES

Gilts retreat

Gilt futures retreated from a strong opening on the London Financial Futures Exchange yesterday. The initial strength of sterling on the foreign exchanges encouraged the June contract to open almost at the day's high at 105-31. Early selling by stockjobbers followed the pound's fall against the dollar and on the exchange rate index. The contract was then trading around 105-19 before further selling occurred ahead of the UK money supply figures, taking it down to 105-10. The rise of 0.5 per cent in sterling M3 compared with expectations of a flat figure, or at worst a 0.25 per cent rise, led to further selling, before June gilts closed just above the day's low at 104-28 compared with 105-19.

Dealers reported considerable nervousness in sterling denominated contracts ahead of the Budget. Three-month sterling deposits for June opened very firm, at the day's high of 88.80, but dealers found this level much too high, although it was probably provoked by a sharp early fall in London cash interest rates. Selling by one bank pushed the price down and when this was followed by disappointing money supply figures, the contract touched a low of 88.21, before finishing at 88.31 against 88.47 previously.

Dollar denominated contracts lacked direction, with early selling by U.S. banks and commission houses in London reversed in the afternoon.

LONDON

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev
March	89.47	89.65	89.43	90.72
June	88.98	88.11	88.90	89.49
Sept	88.58	88.77	88.52	88.93
Dec	88.30	89.50	88.28	88.57
March	88.09	88.28	88.09	88.31

Est. Volume 2,658 (6,772)
Previous day's open int. 15,181 (15,186)

U.S. TREASURY BONDS
8% $100,000 32nds of 100%

	Close	High	Low	Prev
March	69-14	69-22	69-14	69-25
June	68-17	68-26	68-14	68-25

Est. Volume 1,253 (1,283)
Previous day's open int. 2,733 (2,688)

DEUTSCHE MARK
DM 125,000 $ per DM

	Close	High	Low	Prev
March	0.3017	0.3060	0.2986	0.2978
June	0.3046	0.3080	0.3045	0.3007
Sept	—	—	—	0.3034

Est. Volume 116 (65)
Previous day's open int. 263 (288)

(Further London and Chicago futures tables — THREE-MONTH STERLING, SWISS FRANCS, JAPANESE YEN, FT-SE INDEX, 20-YEAR 12% NOTIONAL GILT, STERLING, U.S. TREASURY BONDS (CBT), U.S. TREASURY BILLS (IMM), CERT. DEPOSIT (IMM), THREE-MONTH EURODOLLAR (IMM), STERLING (IMM), GNMA (CBT): [illegible])

MONEY MARKETS

Sterling and money supply disappoint

Interest rates moved very erratically on the London money market yesterday, reacting at first to movements on the exchanges and then to the UK money supply figures.

With sterling at an early level of $1.1100, rates fell sharply, taking three-month interbank to a low of 12¾-12⅞ per cent, but it closed at 13⅛-13¼ per cent, compared with 13⅛-13³⁄₁₆ per cent on Monday, as hopes faded of an early cut in clearing bank base rates. The pound fell sharply to a low of $1.0770 before noon, and the market also reacted unfavourably to an unexpectedly large rise of 0.5 per cent in sterling M3 money supply.

The Bank of England forecast a market shortage of £1,100m, and provided total help of £1,075m. The authorities offered an early round of assistance, but as on Monday did not operate in the market at that time. Before lunch the Bank of England bought a total of £215m bank bills in band 1 (up to 14 days maturity) at 13⅞ per cent, and £68m bank bills in band 2 (15-33 days) at 13¾ per cent.

Another £84m bills were purchased for resale to the market in equal amounts on April 10 and April 11 at 13¾ per cent.

In the afternoon a further £220m bills were bought, including £152m outright, through £81m bank bills in band 1 at 13⅞ per cent and £71m bank bills in band 2 at 13¾ per cent. The Bank of England also purchased £68m bills for resale in equal amounts on the same dates and at the same rate as in the morning.

After inviting further offers the authorities gave additional help of £545m, of which £202m bills were bought outright, by way of £96m bank bills in band 1 at 13⅞ per cent; £90m bank bills in band 2 at 13¾ per cent; £5m bank bills in band 3 (34-63 days) at 13⅝ per cent; and £11m bank bills in band 4 (64-91 days) at 13⅝ per cent. Another £343m bills were purchased for resale on March 19 at 13¾ per cent. Late assistance of £95m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £689m, with the unwinding of repurchase agreements absorbing £79m, Exchequer transactions £205m, and bank balances below target another £155m. These outweighed a fall in the note circulation adding £50m to liquidity.

UK clearing banks base lending rate 14 per cent since January 28

MONEY RATES

March 12	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	6.00-6.10	10⅝	2⅝-2⅝	6⅞-7	6.34375	15¾-16⅛	7.50	14⅝-14⅝
One month	6.25-6.40	10⁷⁄₁₆-10⁹⁄₁₆	5⅝-6⅛	7⅛-7¼	6.63125	15⅝-16	10⅝-10⅞	14⅛-14¾
Two months	6.25-6.40	10⁷⁄₁₆-10⁹⁄₁₆	—	—	—	—	—	14½-14¾
Three months	6.40-6.65	10⁷⁄₁₆-10⁹⁄₁₆	3⅝-6¾	7¼-7⁷⁄₁₆	6.34375	16-16⅛	10¾-11	14½-14⅝
Six months	6.60-6.75	10⁷⁄₁₆-10⁹⁄₁₆	—	7⅛-7⅝	—	—	10⅞-11⅛	14⅝-14½
Lombard	6.0	—	—	—	—	—	—	—
Intervention	—	10⅛	—	6⅞	—	—	—	—

LONDON MONEY RATES
Discount Houses Deposit and Bill Rates

Mar. 12 1985	Sterling Certificate of deposit	Interbank	Local Authority deposits	Company Deposits	Market Deposits	Treasury (Buy)	Treasury (Sell)	Eligible Bank (Buy)	Eligible Bank (Sell)	Fine Trade (Buy)
Overnight	—	8-90	14⅝-15¼	14⅛-15½	13-14¼	—	—	—	—	—
2 days notice	—	—	14¼-14½	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	14¼-14⅞	14¼-14½	14½-14⅞	14⅜-14½	—	—	—	—	—
One month	14⅛-13¹⁵⁄₁₆	13¾-14¼	14	14⅛-14½	13⅞	13¾	16⅝	16¾-13⅞	13⅝	14⅛
Two months	13¾-13⅞	13¼-16⅛	13⅝	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	14⅞
Three months	13⅛-13⅝	12¾-13⅝	13⅝	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	13⅛
Six months	12¾-12⅞	12-10¾	12¼	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	12¾
Nine months	12½-12⅞	19⅛-19⅝	—	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—
One year	12⅝-12¼	11¾-12½	10⅛	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	—

	Local Auth. negotiable bonds	Local Authority Deposits	Finance House Deposits	$ Cert of Deposits	SDR Linked Deposits	ECU Linked Deposits
One month	14⅝-14¼	—	14	8.6-8.7	8⅞-8¾	10⅛-10⅞
Two months	14⅛-13¾	—	13¾	[illegible]	[illegible]	[illegible]
Three months	13⅞-13½	—	13⅝	[illegible]	[illegible]	[illegible]
Six months	12⅞-13½	—	12¾	[illegible]	[illegible]	[illegible]
Nine months	12⅞-12½	—	12½	[illegible]	[illegible]	[illegible]
One year	12¾-12⅝	—	12⅝	[illegible]	[illegible]	[illegible]
Two years	—	11⅛	—			
Three years	—	11¼	—			
Four years	—	11⅜	—			
Five years	—	11¾	—			

ECGD Fixed Rate Export Finance IV: Average Rate of interest period February 6 to March 6 1985 (inclusive): 13.883 per cent. Local authorities and finance houses seven days' notice, others seven days' fixed. Finance Houses Base Rate published by the Finance Houses Association: 12½ per cent from March 1 1985. London and Scottish Clearing Bank Rates for lending 14 per cent. London Deposit Rates for sums at seven days' notice 11-11½ per cent. Treasury Bills: Average tender rates of discount 13.3716 per cent. Certificates of Tax Deposit (Series 6): Deposits £100,000 and over held under one month 14 per cent; one-three months 13¾ per cent; three-six months 13⅝ per cent; six-nine months 12½ per cent; nine-12 months 12½ per cent. Under £100,000 12 per cent from March 12. Deposits held under Series 5 12½ per cent. The rate for all deposits withdrawn for cash 6 per cent.

MONEY RATES
NEW YORK (Lunchtime)

Prime rate	10½
Broker loan rate	9¾
Fed funds	8⅞
Fed funds at intervention	—

Treasury Bills

One month	7.70
Two month	8.25
Three month	8.51
Six month	8.84
One year	8.98

Treasury Bonds

Two year	99⅞
Three year	99⅝
Four year	99⅝
Five year	98⅝
Seven year	99⅝
10 year	98⅝
30 year	99⅝

FT LONDON INTERBANK FIXING

(11.00 a.m. March 12)

3 months U.S. dollars

bid 9 1/16 — offer 9 5/16

6 months U.S. dollars

bid 9 11/16 — offer 9 15/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

London Clearing Banks' balances

as at February 20 1985

THE TABLES below provide the first monthly indication of the trends of bank lending and deposits, ahead of the more comprehensive banking and money supply figures published later by the Bank of England. They are prepared by the London clearing banks and cover the business of their offices and their subsidiaries (excluding Scottish and Northern Ireland banks) in England and Wales, the Channel Islands and the Isle of Man which are listed by the Bank of England as falling within the monetary sector.

TABLE 1.

AGGREGATE BALANCES	Total outstanding £m	£m	Change on month £m	£m
LIABILITIES				
Sterling deposits:				
UK monetary sector	18,142		− 691	
UK private sector	59,048		− 389	
UK public sector	1,475		+ 34	
Overseas residents	10,165		+ 433	
Certificates of deposit	5,854	94,684	+ 848	+ 235
of which: Sight		32,671		− 929
Time (inc. CD's)		62,013		+1,164
Foreign currency deposits:				
UK monetary sector	16,408		+ 996	
Other UK residents	5,146		+ 158	
Overseas residents	50,333		+ 957	
Certificates of deposit	7,418	79,304	+ 689	+2,890
Total deposits		173,988		+3,036
Other liabilities*		21,529		− 207
TOTAL LIABILITIES		195,517		+2,829
ASSETS				
Sterling				
Cash and balances with Bank of England		1,347		− 143
Market loans:				
Discount houses	3,215		+ 165	
Other UK monetary sector	15,464		+ 879	
UK monetary sector CD's	2,629		− 163	
Local authorities	804		− 27	
Other	1,901	24,013	+ 360	+1,215
Bills:				
Treasury bills	105		+ 30	
Other bills	1,547	1,652	+ 46	+ 77
Special deposits with Bank of England		—		—
Investments:				
British Government stocks	2,314		− 244	
Other	2,567	4,882	− 240	− 485
Advances:				
UK private sector	64,853		+ 49	
UK public sector	391		+ 106	
Overseas residents	2,977	68,221	− 636	− 481
Other sterling assets*		10,435		− 24
Foreign currencies				
Market loans:				
UK monetary sector	17,163		+ 852	
Certificates of deposit	1,042		+ 168	
Other	32,410	50,614	+1,034	+2,054
Bills		740		− 23
Advances:				
UK private sector	6,484		− 119	
UK public sector	1,311		+ 41	
Overseas residents	10,491	27,286	+ 438	+ 359
Other foreign currency assets*		6,327		+ 279
TOTAL ASSETS		195,517		+2,829
Acceptances		3,801		+ 190
Eligible liabilities		70,694		− 572

* Includes items in suspense and in transit.

TABLE 2. INDIVIDUAL GROUPS OF BANKS' BALANCES	TOTAL Outstanding £m	TOTAL Change on month £m	BARCLAYS Outstanding £m	BARCLAYS Change on month £m	LLOYDS Outstanding £m	LLOYDS Change on month £m	MIDLAND Outstanding £m	MIDLAND Change on month £m	NATIONAL WESTMINSTER Outstanding £m	NATIONAL WESTMINSTER Change on month £m	WILLIAMS & GLYN'S Outstanding £m	WILLIAMS & GLYN'S Change on month £m
LIABILITIES												
Total deposits	173,988	+3,036	43,682	− 366	32,089	+ 350	33,921	+ 736	59,110	+2,091	5,186	+ 224
ASSETS												
Cash and balances with Bank of England	1,347	− 143	454	+ 21	211	− 16	249	− 38	386	− 105	46	− 5
Market loans:												
UK monetary sector	35,842	+1,896	7,521	+ 239	4,623	+ 79	4,163	+ 98	18,458	+1,302	1,076	+ 177
Other	38,786	+1,372	9,977	− 538	8,569	+ 366	7,889	+ 764	11,208	+ 840	1,143	− 60
Bills	2,392	+ 53	622	+ 51	670	+ 36	660	− 89	409	+ 45	30	+ 10
British Government stocks	2,314	− 244	483	− 195	694	—	441	+ 7	653	− 13	42	− 44
Advances	95,507	− 121	25,912	− 32	18,166	− 7	19,205	− 163	29,191	− 64	3,033	+ 145

TABLE 3. INDIVIDUAL GROUPS OF BANKS' ELIGIBLE LIABILITIES	TOTAL		BARCLAYS		LLOYDS		MIDLAND		NATIONAL WESTMINSTER		WILLIAMS & GLYN'S	
ELIGIBLE LIABILITIES	70,694	− 572	20,738	− 446	14,168	− 84	12,543	− 199	20,908	+ 65	2,337	+ 94

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for March 12.

OVER-THE-COUNTER

Continued from Page 34

Indices

NEW YORK-DOW JONES

New York Active Stocks

CAPITAL MARKETS

BNP enjoys ready market for $300m 20-year offering

BY MAGGIE URRY IN LONDON

BHF Bank bond average		
March 12		Previous
100.207		99.996
High	1984/85	Low
103.042		98.058

THE shoal of floaters seen on Monday slowed yesterday, with only one issue appearing – a $300m 20-year deal for Banque Nationale de Paris. This met strong demand and traded within its 25-basis point selling concession.

The issue uses the popular mismatch formula – the six-month London interbank bid rate will be taken each month and averaged to set a six monthly coupon.

The difference between the one-month and six-month rates is now 1⅛ point. Front-end fees on the issue – led by BNP with Credit Suisse First Boston as co-lead – are 65 basis points.

Floaters were firmer yesterday in response to lower short-term interest rates, but fixed rate issues fell by ¼ to ⅜ point in quiet trading.

Daiwa Europe launched a convertible issue for Japan Aviation Electronics. The $40m deal has a 15-year life with an indicated 3 per cent coupon and 5 per cent conversion premium. Fees total 2½ per cent.

The $50m convertible for Citizen Watch, led by Nikko Securities, was priced yesterday as indicated with a 3 per cent coupon and a conversion price of Y595, compared with the closing price of Y570.

Still nervous over the future level of the dollar, investors are reported to be looking to other sectors of the market where high coupons can be found in curriencies with recovery potential.

Four deals were launched yesterday which could tap such demand in Eurosterling, Australian dollars and Canadian dollars.

S.G. Warburg launched a £20m seven-year issue for Privatbanken. Dealers expect the borrower to call an earlier issue paying a 14½ per cent coupon. This one pays 11⅛ per cent and issue price is par. Fees total 1⅞ per cent and the bonds were trading within that discount.

G. J. Coles, the Australian retail group, is raising A$25m for five years through a deal led by Hambros. The coupon is 13¼ per cent and issue price par. Gross commissions are 2 per cent. Yields on domestic bond issues are around ½ point higher, but are subject to tax for foreign investors.

Syndicate managers regarded the coupon as a fraction tight, though the issue was quoted inside the fees.

Late in the day UBS (Securities) launched a C$125m issue for Bell Canada with a 12-year maturity and 12¼ per cent coupon. Issue price is par and fees total 2⅛ per cent.

Earlier, Wood Gundy launched a Canadian dollar issue for La Caisse Centrale des Jardins du Quebec. The borrower is a major co-operative and a group of European co-op banks were invited into the deal as senior co-managers. The five year issue has a 12½ per cent coupon and par issue price. Fees are 1⅞ per cent. Both deals came too late to trade.

A more cheerful tone was discernible in the Swiss franc bond market, with help from a weaker dollar in the morning. Prices were around ¼ to ½ point firmer. Two new issues started trading yesterday. National Australia Bank's SwFr 100m 6 per cent issue closed at its 100¼ issue price, while the SwFr 200m World Bank 6 per cent deal closed at 99 compared to a par issue price.

SBC is arranging a private placement of bonds with equity warrants for Mitsui OSK Lines raising SwFr 100m. The bonds will mature in 1990 and the coupon is indicated at 3½ per cent. Final terms will be set on 19 March.

SBC also set the terms for Sumitomo Heavy Industries' SwFr 100m public issue at a 6 per cent coupon and par issue price, with an eight-year life.

D-Mark foreign bonds gained ⅛ to ¼ point net yesterday, falling back slightly in the afternoon. Turnover is still low, with attention fixed on the Bundesbank council's meeting tomorrow.

Midland to test worth of perpetual floaters

BY DAVID LASCELLES, BANKING CORRESPONDENT, IN LONDON

THE EVIDENT determination of Midland Bank, the UK's third largest, to issue perpetual floating rate notes later this year should provide an interesting test of an instrument whose standing is still uncertain. The Bank of England is due to make a ruling soon on how it counts as capital.

"Perpetuals," pioneered last year by National Westminster Bank and Barclays Bank, are bonds which never mature, and carry a rate of interest that is adjusted periodically. Both banks argued that the over $1bn they raised was akin to equity because it need never be repaid.

But the Bank of England is proposing that perpetuals can only be treated as primary capital if they are mandatorily convertible into common stock when the issuing bank gets into trouble. Many bankers and analysts argue that this would make them unsaleable.

Mr Michael Julien, Midland's finance director, said last week that the bank would like to sell $200m to $300m worth in the middle of this year. He believed he could structure the issue in a way that would bolster the bank's balance sheet (which has been weakened by losses at Crocker National Bank) and still appeal to investors, while meeting the Bank of England's criteria.

Mr Julien argued that sophisticated investors will know that the chance of the issue ever being converted is so small as to be negligible. Instead they will treat it as an issue of quality bonds offering a good yield. From Midland's point of view there is the extra advantage that interest payments, unlike dividends, would be tax deductible.

Midland's views, based partly on the advice of its U.S. bankers Goldman Sachs, are treated with scepticism by other banks particularly NatWest and Barclays which are annoyed by the Bank of England's response to their issues last year.

Mandatory convertibility "in extremis" they say, will not only deter investors but force issuers to carry a much larger margin of authorised but unissued common stock which might not be popular on the stock exchange.

Discussions about the Bank of England's proposals are still going on and bankers hope that a compromise can be reached possibly by creating a new category of capital between equity and debt into which perpetuals can be placed. A key consideration will be whether banks will be allowed to "gear up" their perpetuals with loan stock. At the moment banks may count as capital £2 of loan stock for every £1 of equity.

NatWest and Midland are up against the limit. But the debate is crucial to Midland for which a perpetual offers – in its present predicament – just about the only hope of raising primary capital.